BUSINESS IN POLITICS

CONSIDERATIONS FOR BUSINESS LEADERS

CHARLES NORMAN FAY

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BUSINESS in POLITICS

"HITCH YOUR WAGON TO A STAR."
(Emerson)

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BUSINESS IN POLITICS

Suggestions for

Leaders in American Business

BY

CHARLES NORMAN FAY

Author of

LABOR IN POLITICS
TOO MUCH GOVERNMENT TOO MUCH TAXATION
BIG BUSINESS AND GOVERNMENT

MEMBER BOSTON CHAMBER OF COMMERCE

Formerly

VICE-PRES. NAT. ASSOC'N OF MANUFACTURERS
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DEDICATION

To the Members of the Chambers of Commerce and the great Business Associations throughout the United States.

Gentlemen:

Will you permit me with high esteem to dedicate to you a few practical suggestions, as they seem to me, though not destitute of idealism, concerning the fast coming and powerful part, which you as leaders in American business ought to, and indeed are beginning to play in American politics. I offer as my apology and explanation for so doing, first, that I know by hard experience, years ago, as a telephone, gas and electric-light corporation executive in Chicago, the practical political evils whereof I write; and second, that no one else, so far as I know, has printed what I wish to say, though I am sure that many Americans must have, perhaps subconsciously, reached the same conclusions as I have.

You are, it seems to me, rapidly coming to what the Honorable Winston Spencer Churchill some years ago publicly suggested to the business men of England; that is, you are actually standing up to "re-establish the moral basis of capitalism"— if I rightly recall his words. He frankly expressed his wonder that capitalism should raise no voice in its own defense, though abundantly capable thereof. "The press," he said, "is afraid of it, the politicians are afraid of it; and its case is suffered to go by default."

Now, at last — here in America first of all the world — you business leaders, through your great

Associations, are banding together, as I take it, for the purpose of acting openly in support of big and little business, and all its lawful consequences, as morally right, socially just and economically and politically invaluable; thus defending our traditional American individualism against modern European socialism. If so, all praise for that purpose; and all success attend it! For the welfare of business, especially of big business, the product of intense individualism, necessarily means the *public* welfare. The two are absolutely inseparable!

As I know by personal failure to do my political duty during my own active business life, our politics are too large and complex an affair for busy men to tackle, *as mere amateurs*, in any effective way. Most voters in my day recognized that they were but pawns in the party chess-game played by professional politicians. But today, by means of the great business organizations, there exists such adequate machinery for coöperative action in economics and politics, as to make it a simple matter even for busy men to *count* in politics, without *losing* count in business. You, gentlemen, well know the great local influence that every leading business or professional man can rightly exercise in his own community: as employer, buyer, seller, advertiser, tax payer, counsellor, citizen and friend. You will probably agree with me, however, that that influence has for the last half century far been exerted everywhere else but in politics. Enforced study of the latter, in my own former city of Chicago, long ago revealed to me a situation necessarily dominated first by this and then by that party "machine"; with something very like physical impossibility confronting the mere business man, who would once in five or ten years try, from outside, to *count* within either party. Yet no citizens

of that city were so well qualified to steer legislation and government as its top-notch business and professional men; none had such great interests at stake; none could judge of effective organization and transaction of public business so well as they. None could so well forecast the immediate and remote economic consequences of any given legislation.

For government is nothing but big business — the biggest kind of business. There is no better training for success in government than success in business. There is no better material for making legislators and administrators than is found among our captains of industry and their professional advisers. The great constructive part in politics played during the last few years by Messrs. Hughes, Mellon, Hoover, Weeks, Dawes and Young is proof positive of my assertion.

Nevertheless, the mere multiplicity of our nominations and elections, and the pettiness and shortness of term of our local offices, necessarily fill our local governments (especially our law making and taxing bodies) not with successful *business men*, but with successful *politicians*, who give their lives to getting office, and keeping it. I would not belittle such men or their ambitions; or their honesty — which must average up with that of the rest of us. But very few of them can, in the nature of their daily lives, and narrow circumstances, have had prior experience in large affairs — or can even have accumulated property enough to place them above the temptation to make money out of public office. To say the very best of our professional politicians, they are, *in everything but politics*, very average men.

Now, while I profoundly believe in democracy, I do *not* believe in government by *average men*, any more than in management of any other *big* business by *average men*. *Average men are not big enough to*

govern! As I said before, government is the biggest of all big business, and well deserves the *ablest* management. Every one of you business men knows that the average man does not handle even a small business successfully, unless under the orders of an able man. Every student knows that representative government, as planned by our New England and Virginian ancestors, *did not contemplate representation by average or underaverage men*, but by the *foremost* men, carefully chosen by free election. Our ancestors, however, hardly foresaw the difficulty of determining in our vast modern communities who are the foremost men, and how best to pick them. The greatest menace to our democracy, and the main reason for the existence of our political machines, lies in these two hard problems!

We can see now that our Puritan ancestors were men of comparatively small affairs and experience. We know now that, great as their underlying principles of local self-government and individual liberty were and are, their New England town meeting, and all our complex of political overorganization, which has evolved out of it, is a *primitive* machinery, which in our enormous modern constituencies more or less breaks down in carrying its own weight. We can see that better political engineering should now be applied to the reduction and simplification of our mess of governments; which is where *you* come in. Under modern conditions, it seems to me not extravagant to say that the most, if not the only, competent men plan to and sponsor that simplification are you big-business men and bankers of the United States, and your leading technical associates and advisers. *You* are the only people who actually do create great, smoothly working, economical and efficient organizations, numbering thousands and

hundreds of thousands of workers. *You* are, moreover, the men who personally have most at stake in the general welfare of city, state and nation; and you are of the few whose large means and high standing raise you farthest above that old, old temptation — to govern for your own private profit — which has cursed politics ever since history began.

Lastly, every one of you big business men, indeed every man of great wealth, owes to the community in which and from which has come his own success, his ripened judgment and ability in public life. *It should be, as it seems to me, the legitimate ambition* of every such man to crown his private fortune and career with public service — a consummation which is not only desirable, but practicable, by way of your great business organizations.

The obvious difficulty before you, however, will be to discover and define lines of public effort, along which *all* members of *all* associations (or indeed of *any* single association) can pull together harmoniously, not only as good citizens but as good business men. I venture, therefore, to set down — as the only contribution an old man can make to the workout of his country's future — my own long-pondered conclusions as to what you younger men, with your powerful associations, can and ought to do "to re-establish the moral basis of capitalism," and effectively put Business in Politics.

With the highest respect and esteem
Faithfully yours
CHARLES NORMAN FAY

Cambridge, 1926

BUSINESS IN POLITICS

CHAPTER I

EXISTING POLITICS

PERHAPS the most effectual way to impress on you my own convictions is to tell you their history. Comparatively few business men of my acquaintance have been so situated as to be *obliged* to give much study to politics. But it was my misfortune to find myself very much up against local and state politics, while still a young man, back in the '80's and '90's, and the active executive of public-utility corporations in Chicago. For fourteen years I handled businesses which were, so to speak, patient cattle of industry, pestered by the blood-sucking flies and leeches of politics — by city councilmen, county commissioners, state legislators, assessors, tax equalizers, boards of regulators, corporation counsels, attorney generals, etc., etc.; almost without exception swarming about to bleed my corporations of bribes or blackmail in the shape of cash, contracts or jobs — under penalty of taxation, or regulation, or confiscation, if refused. After ten years of this (being just then a gas executive) *I quit*, because I could not get my directors to back me in making a fight, and appealing to the people against certain blackmailers of the city council. As soon as possible thereafter (it took three years) I got out also of my local telephone and electric light interests; with the hopeless feeling that perhaps my gas directors were right in thinking that demagogy was permanently in the saddle, and that it was useless for a corporation to appeal to politicians with anything but a bribe — an appeal which seemed to me as shortsighted as dishonorable.

However, I did not give up without a year or two of struggle, involving careful study of local politics; which last I kept up afterwards as a looker-on for the next thirty years. Meantime, I shifted from public utilities into private manufacturing; only in that field also to find myself once more up against the politicians — this time those of organized labor. Again my business was bedevilled by business agents and walking delegates, regulated and crippled by union rules, and held up once in a while by strikes; with more than a mere suspicion that the easiest, if also the most shortsighted and dishonorable way out might be to bribe somebody.

Here, also, more successful manufacturers than myself advised me that demagogy was in the saddle, and that it was useless to appeal to "labor" or its leaders, except with money. In this field, however (not nearly so wide or so confused as politics), I did not accept my advisers as wise or right; and I successfully established a non-union shop by patience and square dealing. That was because, being in fairly direct contact with the few hundred men my concern then employed, we were able to inspire in them greater confidence than could the labor leaders who worked them against us. Knowing personally both employers and business agents, the men gravitated gradually to the more dependable and stronger relationship.

Before that, however, when as a gas company president I had the thought of appealing to the *voters* against a conspicuous blackmailer who represented a west side ward in the city council, there was no possibility of such direct contact. I found the man as solid there as the Rock of Gibraltar, and myself as far away as distant Boston from the confidence of his neighbors. *He* lived in a working-class ward, and I

in a "silk-stocking" one. The only way to get rid of him as alderman was to finance some rival in his own ward to beat him for re-election. But there was no one in sight, either politician or plain citizen, a resident of that ward, nearly as fit as he (he was a smart Irish saloon-keeper) to vote on an annual city budget of over fifty million dollars; nor was there any guarantee of a more honest man! Such was the case, moreover, in twenty-eight wards out of thirty-four then constituting Chicago. Men of brains, and of experience broad enough to vote intelligently on fifty-million-dollar budgets, abounded in the six "silk-stocking" wards of Chicago: *but not elsewhere in that city!* Fifty-six out of its 68 aldermen were bound to be small-fry, local politicians, petty lawyers, tradesmen, clerks, mechanics; whose earnings were too small to enable them to move out of the cheap residential wards. *But they knew their neighbors*, and *had time* for the personal touch that men like me could never supply; so my effort was laughed at. One of my directors used to say to me contemptuously, "Why waste your time? I would just as soon buy that kind of alderman as a pound of beef. If the people will elect such men, the shame is theirs; and they must pay the bill! So pay that rascal ** his blackmail; and spread the cost over *their* gas bills. *That is democracy!* You cannot expect the fountain to rise higher than the source."

But I believed then and believe now that in American democracy *the source is plenty high enough!* And every now and then the fountain rises to it! Whenever a vital crisis, a moral issue, comes up *and is fought out* in our politics, the *people* go overwhelmingly right — for instance, in 1880 for payment of the greenbacks in gold; in 1896 against free coinage of silver; in 1898 for the Spanish War; in 1917 for the

selective draft and the Liberty Loans of the World War; and in 1924 for Coolidge and the integrity of the Supreme Court and the Constitution. All of these crucial tests of the soundness of popular government, and the highmindedness of the rank and file of American voters, kept coming along, a few years apart, as I was pondering on our politics; and long ago convinced me that my director, above quoted, was utterly wrong. That great multitude, whom Lincoln spoke of as "the common people," *can be depended upon to vote right, in a crisis, every time.* For then they think for themselves!

How was it then that my director could buy, and indeed did not hesitate to say he often had bought, Chicago aldermen like pounds of beef? The reason, which holds good everywhere, is simple enough when you look for it. Consider Chicago politics at the date referred to, about 1890. *There was too much of them!* It was simply too great a tangle to keep crooks out of.

In every cycle of four years each voter was supposed to vote at about eleven elections: four spring or local elections, two fall or state and national elections, and about five scattering elections, for judges, bond issues, constitutional amendments, etc. For most of them he was supposed to register; and also to vote at primaries for nominating party candidates. His aldermanic ward was bounded by certain streets; his state representative district by other streets; his state senatorial district by others still; his "town" by others; his city by others. His county took in the whole city and more; his park and judicial and drainage districts had still other boundaries. When I drew the dividing lines of all these constituencies in different colored inks on Chicago's map, it closely resenbled a "crazy quilt."

The several constituencies in which every man cast a single vote varied from some 12,000 to near 1,000,000 voters — most of whom were entire strangers to each other, and still more to the candidates for all those city, county, state and miscellaneous offices. Few of the electors knew exactly what the offices themselves were, or the powers and duties of the men elected. Indeed, the whole structure of Chicago's numerous governments (like that of most American communities) was and is a kind of Chinese puzzle, which the average man simply has not the time to solve. All that he can expect, in practice, is that every few months some politician in his ward, *whom he knows*, will urge him to vote for numerous men *whom he does not know;* for as many offices, of which he knows very little and cares less. Perhaps he votes, or does *not* vote, and the men in question win or do not win. He then forgets politics until next time; or maybe until his tax bill comes in, or his street is not cleaned, or the police show few and far between. Life goes on about the same; or at least *he* scarcely notices any difference.

The fact is that we have here in America so many apparently *unimportant* elections, especially for local government, that life is too short for most of us to worry over them. Less than half, sometimes as few as a tenth, of the voters actually vote; and our so-called *expression of the will of the people* would be more farcical yet, if it were not for the work of our professional politicians, who first, among themselves, make up a "slate," and then *personally* go out after the voters and get enough of them to the polls to elect that slate. One out of three is usually enough!

At the time of my study there were, as I now remember it, nearly 1500 polling places in Chicago: each of which required to man it, say, about seven

workers of each party at each registration, primary and election. *Merely to go through these motions* required the services of some 25,000 working politicians, who had to be on hand eleven times in four years, and meantime to keep in touch with some 450,000 voters the year round. *These men had, in practice, to give their lives to politics, and to get their living by doing so: for there is no provision made by law for their support.* We Americans are all supposed to do our political duty free, gratis and for nothing, as good citizens. *Naturally, the 25,000 Chicago politicians, who actually win elections, do not propose to starve.* They take their pay out of the offices they capture, and the taxes their winning candidates impose, through the jobs and contracts those winners create, and hand out to the men who put them where they are.

All throughout the State of Illinois and the United States this political complex was and is the same, differing only in degree, not in kind. There were some thirty railroads running out of Chicago and on each of them suburban villages every two or three miles, whose population ebbed and flowed as part of Chicago daily life for thirty miles or more. As I now recall the count I then made, there were over 300 local governments, or taxing bodies, elected every year within that radius, besides as many full complements of state legislators, county and court officials, etc. The insignificance and general cheapness of most of the 25,000 or more offices thus filled by election made them perfectly unattractive, except to small-fry local politicians. Yet each little government spent a considerable sum each year, while collectively the tax bills ran into many millions. In each of those suburbs there was a little group of professional politicians that made a business of

running its elections, holding its offices, collecting and spending its taxes. Most of them were necessarily *cheap men*, content with cheap jobs and small spoils — *but steadily in politics, year in and out.*

That is the reason why Chicago and suburban aldermen (like local legislators and officials everywhere) can so often be bought like pounds of beef — *because they are cheap men! Not at all*, however, that our voters *prefer* cheap representatives; but that, as our governments are constituted and elected, *they seldom get a chance to vote for any other kind of candidate.* That, again, is where *you* could come in!

Now, government is the biggest and most complex of human affairs — involving geographical, racial, economic and moral forces that act unceasingly far over the heads or beneath the feet of the great toiling masses. Every one of you business men, who has employed many workingmen, knows how far outside of the general run of their mentality, time and inclination for study lie most of the activities of government. It is but seldom that broad issues can be made up, and simplified, so as to permit of a genuine popular discussion and decision — such for instance as those cited above, or "prohibition" or "child labor." Most "referenda" are pure Greek to the voters, and are carried or rejected by an insignificant fraction of the electorate. It is a fundamental weakness of all democracy that general principles and abstract ideas for the most part merely confuse and befog the voters. On the other hand, they *can* "size up" and become enthusiastic over *a man:* some concrete personality that they can meet or be told about by a friend, whose picture they can see in the papers. Now and then, as in the recent enormous vote for Calvin Coolidge, it is clear that *men* carry elections rather than *issues* — which is an element of strength rather

than weakness in democracy; but when, as so often in the United States, we *cheapen* democracy by *too many useless elections* of *insignificant* men to *inconspicuous* office, the sure winners are they whose friends are most active in personally urging them upon the voters. For success, then, in local elections, politicians *must organize or belong to the "machine"*; and, as I said before, *the machine must live*, and live off of the government it creates! I refer you to an interesting book, "The Great Game of Politics," by Frank Kent, for particulars.

Such is American democracy — the happy hunting ground of the professional politician and the demagogue. Such is American politics, a combat usually not so much of principles as of "machines."

CHAPTER II

BUSINESS VS. POLITICAL METHODS

RIGHT here, let me repeat that I am a profound, even an optimistic believer in "government of the people, by the people and for the people." Man's "inalienable right to life, liberty and the pursuit of happiness," can be harmonized with his eternal need of stable government to protect that right only by his voluntarily choosing and obeying his own governors. The general structure of our "representative" form of *government by consent of the governed*, as framed by our fathers, and founded on the Constitution of the United States, appears to be the best of human contrivance thus far. Its only practical defect lies in the choice of ideal representatives.

I make this declaration, because a few pages back I avowed my *disbelief* in government by *average* men. Let me not seem, however, to exalt myself, or to look down on the average man: I mean only that I would and ought, rather, to *look up* to my government. Thomas Jefferson was not an average man. Abraham Lincoln was not an average man. Neither of these liberty lovers advocated government by *average* men, or glorified the ascendence of the proletariat. Indeed it is safe to say that *no free man ever wanted to be governed by men clearly no fitter to govern than himself:* although almost every one demands government of some sort.

What Lincoln meant by government of, by and for the people seems to me to have been nothing more than government *voluntarily* established, and obeyed, and carried on by governors freely chosen by the

people. There is nothing in the theory of representative government to *limit* the peoples' choice (either for representatives or governors) to great or small, or average men: though there is plenty in its practice to justify rejection of the two last.

Which brings me to the public duty and service that, as it seems to me, you experienced and successful business men, with your great associations, are peculiarly fitted to perform. You are already by life long occupation familiar with a form of democracy almost as great as, and far more efficient than, our present governments — I mean the great modern business corporation.

You know that, like the city, state or nation, the great corporation is democratically governed by a few directors, voluntarily chosen, at stated intervals, by its qualified electors; and that, between elections, the men thus chosen run our corporations (as politicians run our governments) pretty much as they choose. You know that these directors, in the case of most corporations, are chosen for several reasons, usually the same, namely: (1) that they are large owners of their corporation's shares and vitally interested in its business; (2) that they command the confidence of fellow-owners and of the community by reason of character and ability; (3) that they are familiar with the business in hand, or in position to help it, or both; (4) that they are generally so well off and prominent that they *cannot afford* to be "crooked" in their dealings for or with the corporation; and (5) that their names will strengthen its standing and prestige.

You know, too, how directors so chosen and trusted by the stockholders usually act to make the company a success; how, in general, they follow a few well-settled rules that bring results — for instance:

(1) They determine very definitely the objects of the corporation. (2) They simplify and concentrate on those objects — *as few of them as possible.* (3) They trust their attainment to a single executive head, usually to one strong man, carefully chosen for exceptional knowledge, ability, energy and integrity in the corporation's chosen field. (4) They give him a free hand, and fullest power over men and things entering into his work: holding him fully responsible for, and promising him an ample share in, the resulting profits. (5) They leave the initiative as far as possible to him, subject to confirmation of his policies by themselves; and then *they back him* to the utmost, so long as he holds their confidence firmly enough to hold his job. (6) They seldom interfere between him and his subordinates, or attempt to control or direct his authority in matters of detail, but limit their own control to general orders or resolutions openly adopted by themselves. (7) They are usually enlightened as to the general handling of great masses of labor and material, such as usually employed in and about the business of a great corporation; and they know by experience the causes of success and failure therein. Especially in these days of trade unionism do they recognize the *human-nature* of a crowd of workers as a factor of the first importance in handling them. As they require study and test of the strength and fitness of materials, so they demand study of the temper and skill of workers, *and avoid putting too great strain upon either!* They have learned not to expect *too much* of the general run of mankind; and that success depends on establishing an effective *routine* of work (under skilled supervision and best physical and mechanical conditions) such that *average* men can produce better than *average* results. Nay more: they often find means,

such as employee ownership in the stock of employer corporations, to unify labor with capital; even inducing workers to buy into the capitalization of their own job, with their savings.

But first, last and all the time, they determine the nature and scope of the company's operation and finance *by the decisive test of profit and loss* — always rating the ability, the success and the reward of the management and all concerned mainly, not without due allowance for the public welfare, by the growth of its business and profits. If the corporation earns dividends, and enough more for its own development, it lives and grows great. If not, before long it dies, and is forgotten. You gentlemen well know the enormous success of the foregoing simple principles and methods, as applied to great modern corporations; a success so vast that the wealth resulting has for more than half a century been the solid foundation upon which socialistic demagogues throughout the world (even here in fortunate America, the land of prosperous workers) have based their attack on "the existing social order." But notwithstanding success in corporate handling of *business*, when you gentlemen come to consider our *governments*, local, state and national, you will see at once that, despite the fact that they carry on even bigger business than your own, yet always graft and politics come in, to sweep aside the well-known rules of efficient organization and operation. You will usually discover the following blunders:

(1) Confused and elastic boundary lines to the scope of government — local, state and national; (2) multiplicity and overlapping of governments and their functions; (3) division and confusion of legislative and executive authority between elective upper and lower chambers, and elective boards, com-

missions and executives, of high and low degree, with frequent deadlock and practical absence of all responsibility naturally resulting; (4) picking of candidates for legislative and executive offices not for their knowledge, ability and integrity in office, but for their value as party workers and vote getters; (5) fake economy, in paying executive heads of government, or of large departments thereof, salaries so far *below* what men of like authority can earn in private employment as to starve first-class men out of the public service; (6) the legislative habit of "butting in," to take power and initiative away from, or bring political pressure to bear upon, the executive, especially in the matter of purchases, jobs and discipline; plus a system of party "spoils" and "patronage," under disguise of civil service reform laws — which ties the hands of supposedly responsible executives and is a masterpiece of futility in the creating of efficient personnel; (7) deliberate extravagance in paying the rank and file of government employees considerably more than they can earn at like jobs in private employment, in order to collect back from them part of the excess in the shape of party contributions; and favoritism, in shortening working hours and relaxing discipline—so we make of our government jobs, especially in cities, juicy plums to be shaken down by local politicians, and naturally demoralize government service; (8) vast confusion, and a growing burden of taxation (which the average voter is not well-informed enough to analyze and weigh) representing the cumulative cost of bad political engineering throughout the entire function, scope, design and material of our many governments.

Verily, the great majority of American voters have not, and in the nature of things *never can have*, enough experience in large and efficient organization,

of any kind, to compare for themselves what government does with what it ought to do, or its cost with what it ought to cost. They know neither what they ought to demand of government, nor what they should refuse it — nor how to go to work with any prospect of success to get what they should for their taxes.

Once more let me repeat — not at all in contempt of "the common people," or in distrust of democracy, but looking squarely at things as they are — that there are but very few of our multimillions of good, patriotic Americans, who are able enough and experienced enough to map out a successful reorganization of the blundering business of our governments, or to plan the least costly and most efficient way to carry it on. How then to convert our own government, *which is itself the most gigantic of our trusts and monopolies*, into not only the least hurtful of our institutions to our liberties, but the most helpful to our needs — this is indeed a problem for the ablest moral, economical and political engineers. I do not say that it lies entirely within your own business experience, economic knowledge, and public spirit, gentlemen of the great business associations; but it surely lies entirely outside of the narrow experience of the average voter, and the selfish purview of the average politician.

There must always be this fundamental difference between the politician and the business man, in considering government and taxation. To the politician government means an attractive job, and taxation a profitable one. To the business man both mean *necessary nuisances* — forever costing something, or in the way of doing something! To the politician, the enlargement of government function and personnel means broader interest, more power, and more pay.

Constant temptation to enlarge both is therefore inevitable. To the business man, enlargement of either means *possibly* more service, but certainly less freedom, and more taxation. The politician, therefore, needs to ask himself but one question as to any enlargement of government: *Will the people pay for it?* That is *his* point of view. The business man, on the other hand, and all voters who, like you gentlemen of the associations, know enough to ask it, are bound to put precisely the opposite question: *Will it pay, for the people?*"

Let me also emphasize the contrast between the educational effect of the habits of business and those of government. Good business habitually plans for a profit, presumably a maximum profit, in planning maximum service. Good government also rather vaguely contemplates maximum service, *but without a profit* — that is, *at cost*, though presumably a minimum cost. It becomes therefore the unescapable vice of bureaucracy, of those who grow up in the practice of government, this mental habit of doing business *at cost*, whether high or low, *to be paid by taxation*. Precisely opposite is the training of commerce, inasmuch as its graduates grow up in the mental habit of making every business pay, not only its own way, but a profit for owners and managers. The difference is fundamental: it costs the politician nothing, but rather benefits him, to stick the taxpayers for greater cost of government operations. But it *costs the business man his job and his reputation* to stick his stockholders for greater loss on business operations, or indeed for any loss at all.

Such is the perfectly simple explanation of Mr. McAdoo's brilliant exploit of converting a billion dollars per annum of railway profit into a billion dollars per annum loss, to be met by the taxpayers,

in the two short years of 1918–1919. We do not have to go to Soviet Russia for perfect illustrations of destructive bureaucracy.

Fortunately for the country, the frightful cost of the political machines that Mr. McAdoo was building up by converting two million railroad, express, telegraph, and telephone jobs into government jobs, subject to party patronage, was too stiff a dose even for Congress to swallow, and these great properties were hastily turned back to their owners.

You and I know, gentlemen, that if government had let them alone, from the beginning, they would have financed themselves and met the emergency of the Great War quite as well as they met that of the Civil War, sixty years before.

CHAPTER III

POLITICAL OPPORTUNITY OF THE TRADE ASSOCIATIONS

It is but once or twice in a lifetime that a dominant character like Calvin Coolidge, or a paramount issue, like slavery or the World War, comes before the voters — or even a secondary issue like prohibition or child labor — an issue big and simple enough, or a personality powerful enough, to develop a clean-cut and well-informed division of public opinion between "pros" and "cons," and thus carry a major election. In most national elections, and oftener yet in local contests, there is little more at stake than a decision which of two or three party machines shall capture the government, fill the offices, and carry out the pledges made during the battle. This is particularly true in peaceful, prosperous countries, like our own, where the usual current of life flows on so smoothly that we hardly know we have such a lot of government, except as we read about it in the papers.

Under such humdrum conditions the personality of the candidates is practically the main issue, and the most effective method of campaigning is, as I have said, by personal work of the candidates, or their friends, among the voters. That means the creation of personal or party machines, or both, first to nominate at the primaries and last to elect at the polls; and the *value* of machine support increases with the *insignificance* of the offices and the candidates themselves.

For instance, I made no mistake, in 1924, in voting at the primaries for Calvin Coolidge for president, against any other Republican candidate; but I *did* make the blunder, at the same primary, of voting to

nominate a machine candidate for a state office, who was promptly shown up by good citizens, before election day, to be of questionable record. I had not known him from Adam — any living Adam — but voted for him at the primary, because his name was on the ballot as a party candidate. How it got there I do not know yet — but his machine support was probably perfectly regular, *and he won!*

So, too, in Chicago, I had found the machine support of my friend, the alderman, whom I tried to beat, to be perfectly regular; and the same was true of fifty others not so notorious as he — but all so *insignificant*, that even the newspapers could tell no more of them than their names, addresses and nominal occupation. Yet each of those candidates had a hundred or more of his party or personal friends running about among the 10,000 or 12,000 voters of his ward, singing his praises as a neighbor and a good fellow. *Usually he was both* — yet was *utterly unfit* to vote on a city budget of $50,000,000!

Furthermore, as politics requires little more than a glib tongue and some activity (for no great education, or character, or skill is needed to urge fifty or a hundred neighbors to vote for this or that man for alderman or county commissioner), and as politics is the sort of occupation that appeals to men who would rather agitate than work, our small local politicians become a distinctly cheap and parasitic class. Most of them have no other business than politics, and are too small to rise high, even in that trade. A few, of course, have brains enough to climb, and there is nothing to prevent a *great* man, like Lincoln or Coolidge, from shooting up from the very soil of politics, once in a while, like a great pine in the forest.

But in the main, here in America, we *belittle* local politics with petty elective offices and short terms,

after the old colonial fashion, until government becomes too small and transient for most big men to bother with. Especially are our state legislatures, town and county councils, and other taxing bodies filled with mediocre men, often young and inexperienced, who "go into politics," and begin their "political career" by undertaking responsibilities that ought to *end* it; namely, of legislating for and taxing their fellow citizens.

In fact, we use our city councils and state legislatures as *kindergartens* for statesmen. We pay little attention to these really important candidacies, which are usually far down on the Australian ballot at our elections. We seldom know the candidates, and never watch what they are about after they are elected. Of course, they have to be identified with a political *machine*, and the cheap class that constitutes it, and they nominate and elect themselves. Yet it is a pretty small taxing body, nowadays, that does not vote expenditures involving many thousands, or hundreds of thousands, or millions of dollars of taxes — *sums never trusted in private life to the discretion of cheap and inexperienced men!* We let these mediocre politicians make a mediocre living by juggling taxation.

While I was pondering these things, in spite of my belief in America, and our Constitution, for a short time it seemed to me that *no possible future awaited democracy but deterioration* — steady overgrowth, unbearable cost, and final breakdown of popular government! *Then came, as an unforeseen but convincing object lesson in the possibilities of democracy*, the *evolution and political activity of the American Federation of Labor;* and now comes that of the great Trade Associations, to which I am addressing this little book. What organized labor *has* so successfully done,

organized business *can* certainly do! I feel certain that American resourcefulness and common sense, under the educated guidance of the American business world, are not only amply able, but are about ready to swing our democracy *away from* that inherent drift to *demagogy*, which has been the historic curse of *all* democracy. For, gentlemen, our business future, as well as our country's future, lies in a *sound* democracy.

Let me point out the political lesson that your great associations can learn from the American Federation of Labor. Like organized labor all over the world, the federation has the commanding advantages of huge membership, an immense aggregate income, and the vast power of the strike, firmly cemented by class loyalty and money interest. It is not supported by or for politics; but plays a *nonpartisan* game in politics, as a means to its own selfish class ends. It makes, to be sure, the uneducated man's economic mistake of cutting production, and his political mistake of shackling liberty; *but labor is certainly showing us all how to exercise a political influence out of all proportion to its vote!* For that purpose it maintains direct or membership contact easily with not far from two million voters — and it can quickly, within say thirty days, reach any particular labor group or locality, or all its federated groups, and their personal acquaintances, with any given message, through many thousand fervent mouths. And it talks to all America, *thanks to the publicity given it by the daily press*.

Precisely similar, but as it seems to me *far larger*, are the potentialities of your great trade associations. They too rest not on politics but on business. They too have the advantages of nation-wide membership, and still greater resources, *plus the power to produce goods, and to pay wages* — these last constituting

economic weapons incomparably superior to the mere power to strike. They have both the jobs to offer labor and the goods to supply to the community; and *collectively* they can maintain far more direct and natural daily contact both with the press and their employee voters, year in and out, than any political organization can hope to do. They have precisely the same argument for campaign contributions (the dollar-and-cent argument) that leads the laboring man to pay union dues; which actually provide the American Federation of Labor with an income *fifty times as big as that of the G.O.P.!* Greatest advantage of all, they have the active coördinating force and leadership of the patriotic captains of industry (that is, of the best constructive minds in the entire world) with the habit of, and the means for, research and determination of the actual foundations of the welfare of trade—which last always coincides with the general welfare! In short, you gentlemen possess in the great trade associations, if you can but see it yourselves, and shape your activities accordingly, *the most powerful existing nonpartisan machinery* for creating enlightened public opinion; to the end that your country shall go on, great and free and prosperous, and that "government of the people, by the people and for the people, shall not perish from the earth."

CHAPTER IV

FIRST MOVE. FOR BETTER LOCAL LEGISLATORS

Obviously, if I am right in urging the great trade associations to go into nonpartisan politics, the sooner you do so the better. As veteran organizers, however, your natural impulse would probably be to create committees (and a good many of them) to lay out general and particular programs of political action, to be confirmed perhaps by referendum to your membership, before going off half-cocked into action. But for the first and obvious step (namely, to get a foothold in local politics as a starter) you need not wait a minute. *That step is to put up, and back, preferably from your own membership, one or two really important men as candidates for membership in every local legislature and taxing body in your respective neighborhoods, at every local election.*

Your statistical organizations, such as the National Industrial Conference Board, have showed you recently that the burden of state and local taxation for 1923 was $60.56 per capita, as against $31.44 per capita for national taxation, including war debt, etc. Our total taxation for 1923 of $92 per capita was three times that of 1902 and five times that of 1890. Although, under the powerful urging of President Coolidge and Treasurer Mellon, Congress is at last reluctantly reducing the cost of *national* government and taxation, nevertheless the small-fry politicians who fill our state, county and local legislatures and councils continue to make local government and taxation more and more costly. Nobody knows the *reason* for this growing burden better than you do, gentle-

men, each for his own home government. It lies in the scarcity of Coolidges and Mellons.

Now it has been my observation (and I think most of you will confirm it by yours) that the average state representative, county commissioner, city alderman or village selectman may be a pretty small gauge fellow, but yet is not consciously dishonest. He *wants* to do what he thinks is right by the people whose taxes he lays and spends. But it is also my observation, and probably your own, that *in practice* substantially *none* of these layers and spenders of taxes *views government as a costly overhead expense*, which an honest legislator should keep down to the *minimum!* Very nearly all of them consider what they call *progressive government* to be an entirely *desirable* thing, of *growing benefit* to the tax payers, as to which the only effort of each representative should be to get the largest share for his own particular place and people. This widely prevalent idea works out inevitably in poor government and high taxation; which are largely due to mere *stupidity* and bad business management, just such as causes the very large majority of our private business failures. You doubtless realize to the full the truth of my last chapter, on the essential difference between the business and the political mentality; but has it occurred to you how easy it would be *for you* to substitute brains for stupidity, to some extent? Would it be at all hard to put one or two trained and successful men, *out of your own number*, into every American state and local legislative body — provided only that *public opinion among yourselves could but make it the fashion* for your strongest men to do such public duty — just as it is now the honored fashion among you to serve on quasi-public boards of charitable, educational, artistic or scientific institutions? Have

you ever pondered on the powerful constructive influence that could be exercised by even a single really strong, experienced and independent personality on each board: a man so important that his presence would dignify any chamber and his word and motives for the most part would pass unquestioned? Certainly, it would take patience on the part of that man, and perhaps a year or two of appeal by him to public opinion, against a stupid and demagogic majority: which meantime might pass foolish and needless laws, and waste taxes, for political effect. For a time, it might be the hardest kind of work for an able executive to sit there like a fool, while politicians "chewed the rag" in partisan debate or obstinacy; or to mull over such idiotic details as special ordinances to authorize particular bay windows, or locate particular lamp posts, despite general ordinances, or to grant special rebates of individual water or tax bills — as they did in the Chicago City Council in my time.*

But how long do you think it would be before the open protest of an extremely conspicuous member of each body against such costly waste of its time — his open plea for a quicker and cheaper way of handling petty details — would bring a reaction from press and public, that would end each particular stupidity, as it came along?

* Let me cite, for instance, the proceedings of the Chicago City Council which considered, or pretended to consider, 296 such ordinances in one session, that of April 21, 1902. Let me tell you (to come nearer home) of the Massachusetts state legislature, which passed in 1919 364 General Acts, 253 Special Acts and 78 Resolutions; of which I analyzed 50 taken at random (in my book "Too Much Government," page 248), and concluded that at least three-quarters of the whole 695 *never would have come before that body at all,* had it consisted of able men, experienced in large affairs, bent on transacting the business of necessary legislation as quickly and cheaply as possible.

The point to begin at, and the immediately possible thing to do for better politics, as I see it, is to put at least one good big man into each and every one of our local lawmaking and taxing bodies; there, *from the inside*, to lift a mighty voice, that neither the public nor the politicians can stifle, upon each important act of such bodies *as it comes along*.

Not, however, an unknown man, or a beginner, no matter how promising; nor, as a general thing, a lawyer — there are too many now in American politics; nor yet a junior partner, or bright employee, whose official action one or other of you might dictate — being "too busy" to serve yourselves. *For your very best and biggest men are none too good or too big* even for the modest affairs of a country town, since every town ties directly back into the vast affairs of the state and nation.

Just as our local trade unions *live* upon local industry, yet carry on their small but multitudinous backs their national organizations, and the Federation of Labor itself: so our local politicians *live* by control of local government and taxation, yet make *them* carry the weight also of the national party machinery, with its wider grasp of national government and taxation. The one and only way, as it seems to me, to kill the maggot of small politics (which, whether in labor or in government, like the boll weevil in our cotton, costs us perhaps a third of our fair prosperity) is to begin at the very bottom, and, so to speak, spray our local political fields with the insecticides of larger knowledge and more unselfish purpose.

Now this cannot be done by small men! It must be done by *big* men, who without any stimulus of World War patriotism (or even of conspicuous recognition, such as awaited the "dollar a year" men at Washing-

ton in 1919) are willing — both for their country's and their own large business interest, the two are identical — gratuitously to force themselves and their sound business methods into their local politics.

But, you will say, can such men be elected by the vote of constituencies that are now the private backyards of the demagogue? Yes, they can! That question is answered, for me, by the recent popular vote for Calvin Coolidge. I have no doubt whatever that if leading members of the great business associations throughout the country, men conspicuous each in his own town for wealth, ability, integrity and public spirit, were to offer themselves, as their residence permits, as candidates for city and county councils, state legislatures, etc., against such cheap politicians as now monopolize nomination, they could be elected, *with your help;* if not the first time, then the next time, and thereafter.

You business men know by experience, on boards of directors, in clubs, etc., how every group of men is swayed by one or two leaders. You will, I think, agree with me, that the presence of even one or two men, of first-class calibre, in local legislative and taxing bodies would rapidly change the whole character of local legislation, administration and taxation. First-class men are perhaps too few and far between to constitute standing majorities in such bodies; but there are plenty of good second-class men to follow first-class leaders. The latter would have to "bore from within," as the socialists have done with the trade unions across the ocean, and are trying to do here. But they would surely be able, by force of personality, and the merit of their proposals, to influence local legislation far more decisively *from within than from without the council chambers*, and to educate the voters to the drastic changes from politi-

cal to business methods, which they would frequently inaugurate. And, as they bored from within, your great associations could powerfully support them from without, and through the public press.

A lasting advantage of the great trade associations, for nonpartisan political action, lies in the natural relationship and daily contact that obtains between employers and employees. In the country and the small town the individual employer can influence his employees all by himself, if friendly relations exist, as they are apt to live and vote near the job. In the big towns and cities they may live and vote in a dozen different precincts, for as many candidates. But by coöperation of many employers (viz., through the great associations) in supporting given candidates or measures, the chances are that the vote of all their employees, scattered through each and every precinct, may be influenced at the polls by candid and public-spirited argument at the shop.

It goes without saying, of course, that the daily relations of employer and employee must be friendly, not antagonistic, and that the employer's political purpose must be not only nonpartisan but economically sound and legally and morally right. I take it for granted that such would usually be the case as to men and measures sponsored by collectivities of leaders of large vision, like yourselves; and that nonpartisan concerted effort for better local representation, though great in possibilities, should not be hard or involve great expense for your great associations. It would merely involve setting up standing committees on principles, candidates and elections; and perhaps the keeping of card indexes of voter employees by employer and by precincts, and very likely the enlisting among the employees of key men for each plant and voting precinct who could be re-

lied on to follow up indexed voters. Use could regularly be made of signed and printed leaflets, briefly and candidly discussing men and principles endorsed or opposed. Broadcasting by radio, too, that wonderful modern weapon of publicity, could be used for direct contact between your candidates and voters.

If, as I believe, the most honest men and the wisest measures would normally be supported by your associations (for they could not afford to support anything else) you could hardly fail to win "hands down." At any rate, I have that much faith in the judgment and patriotism of American voters.

CHAPTER V

SECOND MOVE. DEFEND OUR COURTS

A SECOND movement in which you citizens of wide experience and vision may well lead, without waiting for further study of a matter on which your minds have probably long been made up, is the defense of our courts, especially the Supreme Courts of the states and the nation, from the political attacks of haters of law and order.

The most immediate and dangerous assault, because the best organized and financed, is that of the American Federation of Labor. Mr. Gompers, who started it, is dead, but his successor, Mr. Green, announces that the Federation will carry on upon the Gompers lines of action. Perhaps the first evidence of his doing so is a bill recently defeated (spring of 1925) in the New York legislature, practically forbidding the courts to use the process of judicial injunction to protect employers even from *unlawful* action of unions in labor disputes. The bill is substantially the same as many others sponsored by labor before Congress and various state legislatures; which have been pushed vigorously, and one of which was passed in Illinois. The end aimed at is always the same, namely: to leave union labor entirely free to *coerce* employers by stopping their business, not only by quitting work but also by entirely and unlawfully preventing work by others.

The Federation of Labor, supported by the socialist and progressivist organizations of Senator LaFollette and his fellow agitators, attacks our courts as "usurping" autocratic power, and "governing by injunction," to perpetuate capitalistic tyranny.

Now, no one knows so well as yourselves, gentlemen of the great associations, that law and courts of justice have throughout all history grown up in response to popular demand (slowly under autocracy, but very rapidly under democracy like our own), to protect the weak against the strong, *the few against the many — not to help the many to coerce the few.* No one knows better than you do that the power of injunction was *not usurped* by the courts as alleged by Mr. Gompers, but was *evolved* during many centuries of the administration of justice between man and man. It was and is not exercised hastily to *forbid*, but merely to *delay*, action, whose consequences might cause irreparable damage, until that action can be justified before the court. No one knows better than yourselves that neither autocracy nor tyranny has ever been furthered by use of the injunction in labor disputes. No worker has ever been ordered to work, or has gone to work for fear of punishment by the courts. Nothing has ever been enjoined except *unlawful* union action, such as violence, intimidation, sabotage, boycotting, interfering with free use of public streets, violation of contracts, and contract right, or combination to restrain production and fix prices. *Not one lawful activity* of union labor has been delayed, even, for longer than preliminary hearing by an American court, unless perhaps some instance of sharp practice has escaped my observation. Certainly *no sweeping accusation* of tyrannical use of the power of injunction can be sustained by proof, *or it would have been seized upon and trumpeted abroad by labor leaders long ago.*

Per contra, you men know the great and indeed vital importance of the power of injunction reposed in the courts for the defense of the poor against the rich, the weak against the strong, the just against the

unjust. Equally well are you aware of the vast importance of the authority reposed in our Supreme Courts, both by state and nation, to declare laws void because unconstitutional. You are educated men and you know the evolution, during centuries of autocracy and militarism, of the form and the substance of free government, *the essence of which is the protection of the citizen against the state*, whether autocratic or democratic! You have learned that the foundation of freedom lies in *limiting* the power conferred upon those who for the moment are elected by the people to govern the people; which means not only those who *execute* the law, but those who *make* it. You know because you have studied, and your daily business obliges you to understand the reasoning of our ancestors — whose political traditions we inherit, revere and maintain; and that they had not the least intention of handing over to any mere majority in Congress or state legislature, or local board — changing as it must from year to year — the *unlimited* power to deal as it might choose with the life and liberty of the individual citizen. *Only to the majority of the whole people, expressed by constitutional amendment*, was such *unlimited* power reserved by our ancestors. And such, I am sure, is still the intention of our better educated voters, if not of us all, viz., *to remain free*. No better statement of that intention can be found than in President Coolidge's memorable Philadelphia address. Its characteristic wisdom carries conviction. He says:

> Through the breaking down of the power of the courts lies an easy way to the confiscation of the property and the destruction of the liberty of the individual. With railways and electrical utilities under political control, the domination of a group would be so firmly intrenched in the whole direction of our government, that the privilege of citizen-

ship, for the rest of the people,would consist largely in payment of taxes. The fathers sought to escape from any such condition through the guarantees of the Constitution. They put their faith in a free republic. If we wish to maintain what they established, we shall do well to leave the people in the ownership of their property, in control of their government and under the protection of their courts. By a resolute determination to resist all these encroachments we can best show our reverence and appreciation for the men and the work of the first Continental Congress.

You men of the great trade associations know all this, as I say; and also know that a very large part of our laboring and farming population does *not* know it, nor study history nor understand our institutions. You know, each in his own community, who are the agitators, and what their purpose, that would confuse our uneducated voters with the lie that our courts are *fortresses of individual liberty and property right only for the rich;* and that in future an unlimited collective tyranny and monopoly of power and wealth *by the state*, instead of the rich, is the only hope of the poor. You are likely to know the personal record of each and every such agitator, and the past and present uselessness of himself and his doctrine to the community. Between you, you can reach directly most of the voters in every manufacturing and mining region with that information! Is it not your duty and your privilege to do so?

Does it strike you as any harder for skilled organizers and advertisers like yourselves to reach the voters with unimpeachable information as to candidates and principles through the daily press in time for the next local election, than you have found it to reach the same men and women with your commercial publicity and selling propaganda?

I submit that with your knowledge of history,

economics, and of contemporary men and things; with your local prestige, and your lifelong experience in organizing, and advertising; it should be neither visionary nor difficult, *nor even expensive* — especially for going concerns like your local Chambers of Commerce — to establish in the course of one or two campaigns a commanding influence in defense of our courts, from one end of the United States to the other. I urge you to ponder this suggestion, gentlemen.

CHAPTER VI

THIRD MOVE. FOR FREE LABOR

YET another move for the public good, on the part of your great associations, which need not and ought not to wait for long consideration before action, is your vigorous collective assertion of the public and private right to liberty and efficiency of labor.

Our existing labor situation demands a change. There are, according to the census, some 42 million "gainfully employed" workers of both sexes, over 10 years of age, in the United States. About 24 million of them (viz., in agriculture, trade, the professions, civil and domestic service) are and probably will remain practically out of reach of labor organization. Of the 18 million in employments that *can* be "organized," about 3½ million actually are enrolled in some thousands of unions, mainly affiliated with one or other of the American Federation of Labor, the Railway Brotherhoods, the Amalgamated Clothing Workers and the I. W. W. That is, about one in every five of the organizable workers are actually organized — about one in twelve of all workers — and not far from one in twenty-four of the whole population (83 million) over 10 years of age. The locomotive engineers are said to head the list, 96 per cent organized. The percentage in other skilled trades is not nearly so great, and averages apparently about 40 per cent in most crafts.

Nevertheless, *by the simple device of nation-wide craft organization*, enough of the members of any single skilled craft (such as the Railway Workers or the United Mine Workers) can conspire to quit work simultaneously, seriously to cripple production or

transportation, for instance, of coal, food, etc.; and in a very few days or weeks can freeze or starve many millions of helpless and unoffending people throughout the regions "struck."

In most crafts, however, the *majority* of workers are *unorganized;* and, if left free to take the jobs abandoned by the conspirators, and accept the wages refused by them, they sooner or later are very sure to do so — that is, when wages and conditions offered are those current in the neighborhood—and the strike fails.

It is, indeed, so essential to the success of a strike to prevent the free flow of free labor to the jobs vacated, that the whole policy and practice of trades unionism is built upon three main principles: (1) the solidarity of, and the monopoly of work by, union labor; (2) the denial of the right to work of nonunion men; and (3) the physical, social and political *coercion* of workers, employers and public outside of the unions, by absolute prevention of nonunion work.

The union man is taught to believe that the job he quits while on strike *nevertheless remains his job*, which no other worker has any right to take. He is taught to call the nonunion worker by the vile name of "scab"; and to consider it no crime to kill or maim the man who would take *his* place, or to dynamite the plant of the employer who would offer it to any one but himself, and on his own terms, or to terrorize all who would deal with that employer. "The right to *organize*," and to *strike*, and thus to *coerce*, by stopping work, and preventing its performance by other hands, "*come what may in industry*," is guaranteed, so runs the Gompers gospel, by the Constitution of the United States to every working man; while any limitation thereof, by the law or the courts, is

"wage slavery," industrial serfdom! But that gospel is false!

Some centuries before the Constitution of the United States was adopted, the English people had discovered by experience that it was possible for a comparatively small number of rich men to combine together to buy up all the grain in the English markets; and having done so, to hold it back from free sale, doling it out only from day to day, for actual consumption, at exorbitant prices. Parliament therefore passed laws, and the king approved them, declaring such "combination in restraint of trade," as it was called (that is, to fix prices otherwise than by free competition in open market), to be a crime against the people of England. This applied to *all* prices.

Thus the law has stood there ever since. When "labor" first began to organize in England, employers there for some time successfully appealed to the courts to denounce the "strike" as a "combination in restraint of trade," set up by many laboring men as to wages instead of by a few merchants as to grain. About forty years ago, however, an English court, moved by sympathy with workers in a strike against a particularly harsh employer, declared the strike *not* to be combination in restraint of trade, in the intent of the law — at least that is my understanding, I am no lawyer — and the decision still holds good. Over here, in the United States, we long ago adopted substantially the entire body of the English Common Law, and with it its prohibition of "combination in restraint of trade." Our courts have latterly followed the rulings of the English courts, in holding that working men have the same right to quit unsatisfactory jobs *collectively* as they had always had individually, without transgressing the law against combination.

Now, Mr. Gompers and his lieutenants in the American "labor movement" have strenuously stretched this right, as recognized by the courts — of a group of employees to quit *their particular employer collectively* — into the so-called "right to organize"; that is, the right to *combine any or all of the employees of any or all employers in any or all crafts* into *nation-wide* unions and federations, prepared and financed, far in advance, to strike and hold up *entire* trades or industries, whole cities, whole regions, even the entire country, *for wages or conditions better than those obtainable without coercion in the open labor market.* This they have done, well knowing that the cost incurred must be passed along to and borne by the whole public, *and they openly say so!*

Against such combination to coerce all concerned, American employers have often appealed to American courts; which, so far, following the English courts *have never forbidden strikes* as combinations in restraint of trade. They have, however, shown a growing tendency to forbid *coercion* by violence and intimidation. Of late, they now and then forbid picketing (and even so-called "peaceful persuasion") as practical restraint of the freedom of the public streets, and the natural flow of labor and material to "struck" jobs. The arm of the law in this respect is daily growing longer.

Disturbed by this growing curb upon their power to coerce, the big labor leaders at Washington procured in 1914, during its passage, an amendment to the "Clayton Act" purporting to exempt combinations of laborers or farmers to control wages and conditions of labor, or prices of farm produce, from penalization by the Sherman Act, or the Common Law, as actual combination in restraint of trade. But,

before long, one or two decisions of the United States Supreme Court established that thus to amend the Clayton Act cannot and does not legalize combination of labor *for any unlawful purpose;* the nature of the purpose thus becoming a question of fact, in each case.

Since these decisions, as a final effort to throw off *all* restraint or control of their activities, either by the law or the courts, the unions, especially the American Federation of Labor, have gone into politics (so far fortunately in vain) to defeat by the labor vote the reëlection of legislators, judges and executives (including the President of the United States) who show the least inclination to bring organized labor within control of law.

Such is the present situation. It badly needs clarification, and the creation and action of public opinion. As far as concerns its *practical or economic effect*, organization of labor may be characterized as a standing nuisance and a crippler, rather than a dominating factor in production and profit. I have found that employers generally incline to treat union labor as a sleeping dog, and let it lie, until it gets up, growls and bites. Strikes and lockouts come but once in several years; and between times employers are apt to sign up with the unions and run along without labor friction — having plenty of troubles of their own — at least so long as they can pass the extra cost of production on to the public in the price of goods. Indeed, it is too much to ask of any employer, that he shall stand between the public and the unions, and fight the battle of the people for abundant goods at low prices, without a word of thanks, or a dollar of pay, for doing so.

It is within the power and it is the business of the public to protect itself by legislation against the policies of organized labor. It is not so much the occa-

sional shut-off of goods or service during strikes at intervals of several years that hurts, although that is bad enough. *It is the steady, constant and unnecessary high prices* of goods and service, due to crippling production and slacking work, as a regular part of union activity, that robs the public, day in and out, of sums so vast as to be incredible. It is the common estimate of large employers that union labor is but sixty per cent efficient; that current volume of product might be, say, two-thirds larger than it is, the wage of labor one-third larger than it is, and the cost of goods produced one-third less to the public than it is, if there were no such thing as organized labor. The extraordinary results achieved by Henry Ford, who for years has cut entirely loose from the labor unions, in vast output, high wages, and low selling prices, are a striking illustration of the moderation of that estimate.

If two-thirds greater efficiency of labor were to be made the rule in all manufacture and trade that is handled mainly by organized workers (though union made and handled goods by no means constitute our whole vast consumption) the resulting abundance of staple commodities and lowered cost of living might easily far exceed any guess of mine. It should not, however, be too much for the National Industrial Conference Board, for instance, to figure out—that remarkable research machine already set up by one of your great associations. You therefore are probably at this moment in position to show the public what destructive trades unionism is costing it and yourselves. You are not only able, but are deeply interested, it seems to me, to stir up a public demand both on Congress and the state legislatures for laws declaring, as Governor Coolidge declared during the Boston police strike, *that there is no right to strike*

against the public safety. You might well go still farther, in this land of free government, and teach the voters that *there is no right to strike against the public pocket*. The great American people is surely not so feeble as to let itself forever be "held up" at will by this or that minute but "organized" minority.

There seems to me a clear moral as well as legal distinction to be drawn between what might be called the *retail* and the *wholesale* organization of labor. Let us grant, for the sake of argument (though it is usually untrue), that the poor workingman is at such a practical disadvantage in dealing with his rich employer, that it is natural and fair to let him combine with fellow workmen *in the same shop* to "bargain collectively" for them all; and thus throw their collective need of many jobs into the scale, against his collective need of many workers. Also, let us grant that an isolated combination of workers, against an isolated employer here and there, is a matter of comparative indifference to the public; a local effort, in which most of us have no great concern. Then let us grant that under such conditions the public, the law and the courts are apt to deal kindly with the workman on strike, and to ignore the oldtime law forbidding combination in restraint of trade. The thing might be called "retail" organization of labor and be winked at as fairly legitimate.

But, suppose such an organization to be *expanded, to cover a whole industry* — is not then the single employer, are not all employers, and the public, put at unfair disadvantage? Take the case of the United Mine Workers; which is a vast army of occupation of all the great coal mines of the country, except a few in West Virginia and Kentucly, which thus far refuse to unionize. Suppose (as has often occurred, both in anthracite and bituminous coal) that it

is the open purpose of this half-million army *to hold up coal supply* now and again, until its demands are enforced by reason of coal famine, *and at public expense!* Suppose wages already are, and always have been (as is the case) so high as to bring far more than enough miners to the coal mines, and to keep them there for years, in spite of plenty of work and wages to be had elsewhere. Suppose that, thanks to such "wholesale" organization, a new coal strike comes in 1925 (this chapter was written in 1924) and the American people are once more held up generally (or even locally, as in New England during the anthracite strikes of 1902 and 1921) for fantastic prices of coal, in order to pay coal miners fantastic wages. Do you think, gentlemen of the great trade associations, that the public will *eternally* stand for such wholesale coal famines as those of 1902 and 1921, or for "wholesale" railway paralysis like that of 1922 — *of all of which itself must pay the cost*, and endure the hardships? *Do you think 110 million Americans will always sit still, while half a million coal miners or railway workers freeze or starve the crowd into paying hold-up wages far above what the open market pays the rest of us?*

It is my own conviction that public opinion is ripe for lawful control of organized labor. The right to "organize" and to "strike" against an individual employer may as heretofore be conceded as a reasonable makeweight in "collective bargaining"— *to those who desire to bargain in that way*, without limiting the freedom of those who prefer to bargain individually. *But the time has come for the law to put an end to organization of whole crafts against the whole public!* It is unthinkable that the free, self-governing people of this great republic should be so feeble as, for instance, to permit national conspiracy of a few

thousand street railway workers every now and then to paralyze local transit, wreck street cars, and terrorize unoffending citizens, as it has done in *more than forty American cities* within twenty years — or of a few carpenters to paralyze building—upon the absurd pretense that it is their freeman's *right* to do so, guaranteed by the Constitution of the United States. As a matter of fact, the street railway workers of Detroit and San Francisco *have no right* whatever to combine against the citizens of Albany or Boston, nor have the carpenters; on the contrary they do so in defiance of both common and statute law.

But, gentlemen, *the mass of the people will never, or else but slowly, learn that fact from the politicians*, who naturally cater to the organized labor vote. Nor will they learn it from the press (which echoes talk, but seldom starts it), *until some conspicuous personage or organization first proclaims it.* I submit once more that *you* are the national leaders, conspicuous individually and by your great associations, who best understand the economic and constitutional rights both of the workers you employ and the customers you serve — that is, those of the whole people. It is my conviction that you ought, for the common good as well as your own peace and profit, to take the initiative in this important matter. The time has fully come to *suppress by law all wholesale organization of labor*, for the purpose of fixing wages, or controlling, limiting or preventing work, production or transportation; *that is, organization involving the employees of more than one and the same employer.*

And for consistency it is time, too, to repeal the provisions of the Clayton Act exempting farmer and labor organizations from the penalties of the laws against combination in restraint of trade.

Such at least is *my* personal conviction. But let me observe that my proposals are more drastic than remedies proposed by other thinkers. For instance, one of the most experienced and broad-minded students of the labor problem, Mr. Walter Gordon Merritt, general counsel of the League for Industrial Rights, has prepared an elaborate draft of a bill to forbid "unwarranted strikes" (specifying conditions *not* warranting them) and a companion bill forbidding picketing.

His first bill, if passed and enforced, might go far to reëstablish free labor conditions. *Yet it seems to me to be weak in principle*, because it accepts *wholesale combination* of particular craftsmen against the whole public *as legitimate;* even wholesale *federation of all crafts against the nation.* I fear it would afford but slow and doubtful relief in practice, because of the law's delay in determining whether, in fact, any given strike is or is not *unwarranted.* But his second bill would do wonders! An ounce of simple and positive prevention, such as its enforcement would provide, is worth a pound of slow and uncertain cure. I believe in going to the root of the evil.

It goes without saying (yet I will say it to avoid all suspicion of plotting laws to aid the employer to "exploit" or "enslave" the workingman) that you men of action, while insisting that the law shall set labor free, will naturally go on with your present wise plans for making his own job more attractive to the laborer than any union can be. I take it, however, that this last will always be a matter of individual rather than of associated endeavor; because each concern must work out its own labor relations in its own most feasible way— through "industrial democracy," "employee representation," the "shop union," "individual employment contract," etc. —

as may best suit those immediately concerned. To me the "employee ownership" plan, substantially as developed by the United States Steel Corporation, seems by far the wisest way of securing hearty coöperation of a vast army of workingmen. It leaves each man free to sell his labor for highest going wages, yet gives him a chance to put his pennies, if he likes to save, into his own job, which he knows all about, at somewhat better purchase price and with somewhat larger return than the outside or capitalist investor can get in the open market for his dollars. It seems to me ideal thus to reward *thrift* as well as *work;* and thus to set the worker thinking about the *losses*, as well as the *profits* of the concern which furnishes him his job.

But this economic education of the workers will take a lot of time, while it is the psychological moment—with coal and building and garment workers' strikes impending upon an unoffending people, whose declared intent it is to starve or freeze the public into submission *not only by stopping work* of production and transportation by the strikers themselves, but by *preventing*, *no matter how*, the willing work of others— it is, I repeat, the perfect moment to rouse that public in its own defense. I urge you, gentlemen of the great associations, to go to the press, to Congress and the legislatures, for the embodiment in law of Calvin Coolidge's celebrated dictum — perhaps omitting the word "safety"— that *there is no right to strike against the public, by anybody, anywhere, anytime.* For, I think, the day of reckoning has fully come, when the American people, having learned not to confuse conspiracy against the community with mutual benefit work, will clearly distinguish between selfishness and liberty, between class and democracy; and will serve notice on or-

ganized labor that no fraction of the public is strong enough to plunder the whole. Especially is it your duty and privilege, as broadly educated men, to teach your less informed fellow citizens the needed lesson in morals, economics and politics — that no man or group of men ought to or can get more out of the community by doing less for the community.

P.S. Since the above was written the anthracite coal strike of 1925–1926 — almost six months long — has come and gone. Nothing whatever has been accomplished by its beginning or ending, excepting that in the words of one of its leaders, Secretary Kennedy, spoken at the meeting of the striking miners at Scranton February 16, 1926, to ratify the settlement just made, the fight "has saved the United Mine Workers."

The cost of the strike has been a billion dollars; the miners have lost in wages two hundred fifty millions, and according to the Pennsylvania Bank Commissioner have drawn out 10 to 15 percent of their savings bank deposits. The anthracite burning public has learned to burn soft coal and coke; and has got along very comfortably without anthracite — thanks to the non-union miners of West Virginia and Kentucky, who once again have stood between the nation and the freeze-out of the United Mine Workers.

No raise nor cut in wages has been achieved. No machinery for future arbitration has been created. The "check-off" is said to have been "saved," together with "United Mine Workers," carefully camouflaged under an agreement for "reciprocal efficiency."

But the nation remains precisely as it has been since the United Mine Workers came into being (and so do the non-union miner and employer) absolutely without protection from the next attempt of the

United Mine Workers to hold up the nation, the non-union miner and employer — all three at once.

Once more I repeat, it is time for the nation to protect itself; and incidentally every law-abiding laborer and employer — union or non-union.

Let us not permit our politicians to put this country and its government into the frightful position in which England finds itself, as I write (May 1, 1926) helpless before a strike of the coal miners, backed by other great labor organizations; all bent on riding the nation for short hours and long wages.

CHAPTER VII

BROADER ACTIVITIES. LEAST GOVERNMENT

I NOW come to the broader political possibilities confronting the great business associations. They involve a preliminary consensus of opinion, within the membership of each association, as to activities proposed, based upon sound and simple general principles, such as appeal to business men. As I have said before, an experienced membership like yours would probably approach such a consensus by way of the careful work of an able steering committee, aided by competent research and expert advice — both to determine those general principles, and to shape their particular application as emergencies arise. Since I have made so bold, however, as to preach to you gentlemen at all, I would, like all preachers, go enough farther to give you my own personal conclusions as to your possible contribution toward sanitation of democracy.

To use President Wilson's words (though not his ways) I too would "make the world safe for democracy," *but I should commence right here at home* where red and pink demagogy seriously threaten liberty. The very simple principle of Least Government, with its companion principle of Least Taxation, seems to me pretty nearly all that this country needs, if put in practice, to make it entirely safe for democracy. I submit those two principles (which certainly are not Wilsonian) to you experienced business men, as the best and most natural guides for the political action of free Americans.

To state the principle of Least Government *about* as Jefferson did — "*That government governs best*

which governs least." Or, more technically stated, it might read thus — "Government should be *limited to such activities for the common good as are too large, too unprofitable, or politically too dangerous*, to permit of spontaneous development, on private initiative, for private gain."

Now let me give the *basic* reasons for advocating least government. You experienced business men will recognize them at once, I think.

Government is but *one form* of organization of men, though the *largest* form of all. In private business organization, though far smaller, you gentlemen have learned by costly experience not to load too many different kinds of work on any one concern. You know that it does not pay to do so, and that an *overgrown* organization *breaks down* because it can work, *as a unit*, only under a single man as head — while no single human brain or body can stand an overload of work. You know, too, how large expansion of private business compels constant struggle to simplify; the bigger it grows, the harder becomes the struggle, and the greater the burden of "overhead" or unproductive cost. You know that expansion cannot go on indefinitely. A time arrives, in spite of railways, telephones, motors, etc., when efficiency and economy enforce simplification and *decentralization*.

Now, I submit to you, that that time has long ago arrived in American government. The necessarily public functions of national, state, and local administration, which for the reasons given above cannot be privately performed or paid for — namely, legislative, executive and judicial, diplomatic, postal, military, naval and fiscal establishment, for the nation; and fire and police protection, sanitation, education, and public services like water

supply, good roads, etc., for the state and town — these *unavoidable public activities, of themselves*, constitute too vast and various a burden for any public organization to handle with success at all comparable to that of far simpler private undertakings. At its very least and easiest, government puts too great a strain on human nature; *and is bound to be inefficient* in comparison with less complicated business!

Once more let me emphasize that you business men, who almost alone know how to handle large organization, are of the very few of us who know also its limitations. You are therefore morally bound to broadcast them. It is an old maxim of good engineering *not to put too great a strain on the material employed*. The same rule applies to good government, whose material is the human being — not to put too great a strain either on the mind or the conscience that governs. The simple and logical way to minimize American discontent with the shortcomings of American government most obviously is to minimize government itself. That is the essence of my proposal to you gentlemen — a continuous and consistent campaign for Least Government.

Along with Least Government goes the principle of Least Taxation. For if government be limited to those functions, which will not pay their own way, and must therefore be supported by taxation, *it can never produce wealth*. Its cost (in the shape of taxation) must be and is spread upon, and borne by, industries that actually do produce wealth, *as an overhead charge*, additional to normal overhead charges. Just as it is the constant effort of the private producer to cut down "overhead," so should the community strive to minimize taxation. And, as I have already said, *the logical if not the only way to do so is to cut down government itself!*

For the purpose of this little book, however, which is printed merely as a starter of discussion, it is quite enough to tackle the big job of cutting down *local* government, without wrestling with our enormous national establishment in these brief pages.

There are, clearly, two ways to minimize local government in America: (1) to consolidate our numerous small local units into fewer and larger ones, as far as efficiency permits, and then put bigger men into local office; (2) to abandon every undertaking, *by government*, of every service, public or private, which has already developed spontaneously (or would do so if permitted) as a private enterprise, at private risk and for private gain.

Let us consider, first, the consolidation of many little local units of government into fewer and larger ones. *How far* can such consolidation go with *efficiency*, viz., with better service and lower taxation? As yet, we have no well digested data upon which to base answer to this question, though many vast experiments in urban consolidation are working themselves out — notably that of Greater New York. The very first thing your steering committee would probably do would be to get into touch with the numerous research associations and good government leagues of the country, for the collection of domestic and foreign experience bearing on this prime problem of *centralization* vs. *decentralization*, or *the geographical limit of efficiency*. I offer the following crude suggestions, as to the only natural and necessary limitations which I am able to perceive.

Army organization is the largest, and postal the next largest, I believe, in American experience. Labor organization is very large but very loose. Next in size comes railroad organization followed by that of factories, mines, etc. Most *business* organiza-

tions are fairly efficient. The essence of success in all of these is always the same, viz., the laying out for a whole organization of a routine which, though beyond the ability of the rank and file to conceive and follow, *unaided*, is yet *not* beyond their ability to keep up with *under supervision* — so that better than *individual* results are obtained by the collective and *managed* energy of the mass.

No military routine has been devised that can get away from the necessity of direct supervision, and constant personal contact, between commander in chief and division commanders, between the latter and corps commanders, and so on; that is, *between rank and rank*, all down the line of brigade, regimental, battalion, company and non-commissioned officers, to the enlisted men — in order to keep them all individually up to routine, and maintain the pace set for the whole organization. Just so in civil organization, such as manufacturing. The workers must be in direct touch with their respective foremen, the foremen with their department superintendents, the superintendent with the works managers, the works managers and sales managers with the president. Original initiative must be supplied, and action coördinated, all down the line, for the whole organization *by personal transmission*, from the executive head through subordinates, step by step down to every man of the rank and file. Else everything slows down and perhaps stops altogether.

But there is a limit to efficient re-transmission of initiative and re-coördination of action. That limit varies with the work. There is a dilution or absorption of original energy, a chance of error in execution of orders, at each contact of a higher with a lower grade of men. In army organization (whose purpose is destruction, not economy) there may be eight or

nine transmissions, with fair efficiency, from general in chief to private in the ranks. In big business ordinarily there are not more than four or five, from president to day laborer. In local government there need be but four, it seems to me; for instance, from mayor, through chief of police, precinct captain, and lieutenant to roundsmen. *There should be as few as possible, of course.*

Another limit to indefinite expansion of organization lies in distance between home and job. Every worker should spend his nights, or most of them, at home, for every personal and social reason.

Railroads have found it necessary to cut up their organization into divisions of such extent that all employees, even trainmen, can get home at least every other night. Rapid transit and the motor car have of late years extended the radius of movement between work and home, until many "commuters" find it possible to live forty miles or so away from their daily work.

If we may judge from manufacturing and railroad experience in efficient organization (maintaining personal contact from top to bottom, yet not breaking in on family life) it should be entirely practicable and economical to expand local government into units, limited by the radius of "commutation" (viz., the actual radius of ebb and flow of population and trade during daylight hours) from and to existing natural centres of population.

Such expansion, into units of twenty-five or thirty miles radius from regional centres (as each of you for his own region can readily perceive) would immensely reduce political and administrative "overhead." In Chicago and vicinity, within commuting radius, were over 300 local units of government, a few years ago, and probably still are. There was and is nothing in

the physical handling of street paving or sewer work, for instance, to prevent a single consolidated department from handling both or either, for that entire city, and suburbs within 30 miles radius, better and cheaper than is now done by 300 separate units of government — that is, *if taken out of politics!* Every one of you business men will agree to that proposition. Do you not think then that the Chicago Chamber of Commerce might well attempt to educate the people of that great city to take its streets out of politics?

And after Chicago, why not other Chambers, in other cities? As I have said so often, *those Chambers already mobilize for other purposes most of those citizens who are big enough*, and *know enough to* convince the people *against* the politicians. Why not add that great purpose? *What other groups can do that needed work as well, or are likely to do it at all?*

CHAPTER VIII

SIMPLEX LOCAL AND STATE GOVERNMENT

SHOULD you men of the great business associations ever get worked up to the point of taking the lead in consolidating Chicago's 300, or some smaller city's 30, present petty units of local government into a single considerable one of say 25 miles radius, you might naturally go so far as to simplify its structure down to that found so effective in great business corporations, by *cutting out* the complexity of double chambers, elective executives and elective judiciaries; which was invented by our forefathers, in order to oppose each of three coördinate branches of government in a system of "checks and balances" against possible abuse of power by the other two.

Our multiplicity of local legislative bodies, with their dual chambers and unwieldy size, and their short terms and frequent elections of their membership elected, constitutes a sort of wind mill capable of grinding out an immense mass of *trivial* legislation, but largely incapable of rapid and clean-cut decision upon seriously debated measures. Big business, on the contrary, has learned not to burden its directorate with trivialities; and not to distrust its own chosen executives, nor to dread their keeping themselves too long in power. Big business gets big results *not* by imposing "checks and balances" upon good managers, or by turning them out every few years, but by *trusting* them; putting master spirits in power but demanding results, and *keeping* them there so long as they produce results. All that big business *reserves* is the right and opportunity to make changes in man-

agement, *if needed;* but it seldom changes and never overmans its directorates!

For instance, the United States Steel Corporation has a turnover of about $1,500,000,000 per annum. The budget of the United States Government for next year (1926) is only twice as great. The Steel Corporation is governed by a board of but fifteen directors, the first business men of the country, chosen by its 150,000 stockholders once a year in a meeting that takes perhaps an hour. *They serve for nothing but a nominal directors fee* paid only to those who attend meetings, held perhaps once a month, and lasting two or three hours only. Yet in those few brief meetings, these few men most efficiently direct and control, by the adoption of a few necessary authoritative resolutions, expressing the corporation's general or specific policy, the vast business of that great concern.

Contrast with their high efficiency the desultory work of our 435 congressmen and 96 senators, 533 Solons in all, who play politics before the nation, in almost continuous session, with endless fuss and feathers, sound and fury, devoting most of the two-year term of each congress *to defeating each other's largely useless bills!* Perhaps they pass but one bill out of every twenty introduced; yet, even so, they grind out so much futile stuff that the whole country heaves a sigh of relief and thanks heaven when they finally adjourn (to attend to their own reëlection), after passing at the very last moment, helter-skelter, the more imperative appropriation bills. There is, however, this consolation — that if they worked as swiftly and quietly as the directors of the Steel Corporation do, they might easily tax us for and spend thirty billion instead of three. Certainly, open and protracted debate *is* a safeguard against vicious legislation.

Everywhere we turn we see the same contrast between the small, quiet, efficient, and usually *honest* boards of directors of our great corporations (their turnover often as big as that of cities or states) and the big, pretentious, noisy and often *dishonest* mobs of time and money wasters, forced by our political system into our local legislative halls. Every experienced organizer knows that legislatures and councils talk so much and accomplish so little, because the bodies themselves are too big, while the men that compose them are too small.

Now, gentlemen, might we not break away, at least in local government, from a political plan that does *not* work very well to a business plan that *does?* Just as we elect, for a great corporation, a very small compact board of directors, of very able men — *and stop right there* — leaving it to the few men chosen to organize and manage everything for the company until next election — might we not elect, for each new consolidated unit of local government, a small compact board of trustees or commissioners (nine would be plenty) chosen at large — *and stop right there, electing no other officers for the unit,* either executive or judicial? Might we not trust those so chosen to make the laws, and to *appoint* a chief executive, with power to carry them out? If, furthermore, you experienced organizers could get so far as to educate the voters to talk politics in terms of consolidated units of (let us say) 25 miles radius instead of 2, would it not naturally occur to them to do away also with all county organization? For counties are nothing but old-time consolidations of adjacent villages, towns and cities, for certain common expenditures — the joint support of courts, prisons, poorhouses, roads and bridges, tax gatherers, etc. As cities grow, they oftentimes have to do these various

things for themselves, and the county organizations become largely superfluous. They would become entirely so if such consolidated municipal units as above proposed came to cover substantially the same ground as the old county lines included. Might it not, therefore, still further simplify local politics, and promote economy, to do away with all county officers and elections, and turn over their oldtime functions to proper bureaus of the consolidated municipalities? *Might not this plan be tried out unit by unit* as its merits make its advantage known? In due time, when enough simplified local units are on the map, might we not follow up on like lines with simplification of state government?

That is to say, might we not plan for eventually a very small and compact single-chambered legislative body, say a senate of but 15 members — which would be large enough — empowered to make laws, to lay taxes and to *appoint* permanent executive and judicial officers, who should carry on the business and administer the justice of the state? Let me argue this proposition:

The principles of efficient government, whether for local units or the state, seem to me precisely the same as for efficient business organization, namely:

(1) To concentrate the power to determine policies, make laws and lay taxes (raise money) in the hands of representatives directly chosen by the people; but so few in number, and so long in term of office, *as to make their choice a very serious affair* — their power, dignity and conspicuousness very great — and their moral and political responsibility for official action very plain and unavoidable. Such vastly increased importance of local office ought naturally to lead to the *eager* candidacy and the nomination and election of exceedingly able and con-

spicuous representatives; while the resulting wieldiness and compactness of the local representative bodies would surely speed up and yet limit legislation and taxation to the utmost.

(2) To abandon the election by popular vote of executives and judges; and to provide for their long-term or life appointment by the legislature — safeguarded, of course, by carefully drawn provisions for removal, by impeachment or otherwise, of unworthy appointees. Such safeguards would free executives and judges from all fear and danger of political pressure brought to bear on either—*as they should be free!* They are in office not to ignore or twist the law at the behest of politicians, but faithfully to be bound by it and the Constitution. So long as they fearlessly interpret and execute both, they should be entirely immune from vengeance of any disgruntled faction at the polls. *Legislators* should there be held responsible, and they alone.

Such has long been the eminently successful plan of government adopted by our great corporations; which are pure democracies, as great in their affairs, and oft-times in the number of voters interested in their elections, as many of our cities, or even states. Yet their annual elections seem almost absurdly simple things, in comparison with our political elections. Their directors send out by mail a statement of affairs, for the year just ended, with a printed proxy and a list of candidates regularly nominated by a nominating committee for directorships. If there is any dissatisfaction among stockholders, the dissatisfied ones send out another or "opposition" list with *opposition* proxies. They also write or interview large stockholders and publish the results. Election day comes and most stockholders *mail* their proxies; a few of them usually meet at the company's office, and

help count the proxies, and the old ticket, or sometimes the new one prevails. It is all over in an hour, and the rank and file of those who work for the company *and actually do its business* hardly know there has been an election. Perhaps a president and general manager have to make way for new men, that is all. Nine times out of ten no change in the great subordinate personnel is needed, and none takes place.

Nine times out of ten, too, no change in the great subordinate personnel of political government is needed, or should take place. *The only body that should change* in response to change of public opinion *is the legislative body* — which alone can change the existing law — and that change should take place according to the result of sharply defined, non-confused issues, openly fought out in the campaign just preceding.

Now consider, gentlemen, how far simplex consolidated local government, elected and organized as above, might go to avoid useless cost and trouble, and simplify our politics. A vast lot of local elective offices would entirely disappear, for cities, counties and towns; a horde of elective clerks, selectmen, tree wardens, tax collectors, assessors, reviewers, grand jurors, registrars, auditors, school board men, road masters, poor masters, pound masters, fence viewers, county commissioners, inspectors, sheriffs, mayors, aldermen, municipal and county judges, bailiffs, recorders, would pass out of the picture — of which, for instance, there are some 6000 in the single not very great state of Connecticut.

If we should likewise simplify state politics down to the election of nothing but the legislative bodies, making the term of both state and local legislatures four years, and leaving national elections as they are, we could then abolish *spring* elections alto-

gether, and entirely divorce national, state and local politics, by holding all elections in the fall, one election each year, in cycles of four years. That is to say, there would be but *one kind* of election, *either* local, state or national, each year; and that election would be reduced down to an exceedingly short ballot.

For instance, in the first year of each cycle, we might vote the first Tuesday in November for the consolidated local council, say of seven members, to be elected at large by the residents of each local governmental unit, of say 25 miles radius from the business centre. Only one office would figure on the ballot, all candidates running "at large" for it. Seven of their names would be checked off by each voter, thus voting "at large" for all seven. The second year, in November as usual, might come the congressional elections for senator and representative; only two offices and as many sets of candidates would be voted for on the ballot. The third year, again in November, we might vote for the state senate, only one office on the ballot. If say fifteen senators were to be elected at large, as many names on the list of candidates would be checked by the voter, voting for all fifteen. If not chosen *at large*, but electing a senator to represent the unit *in which he lives*, only one name as well as one office would be checked off on the ballot. Finally, the fourth year, in November, would come the national election for president, senator and representative in Congress. Only three offices, all national, would appear on the ballot, and only the names of presidential electors, a senator and a representative would be checked off.

Certainly *there could be no confusion* between national, state and local issues at such elections, nor could there be trading of votes between national, state and local candidates, as at present. The small

membership of the proposed state senate might well be chosen *at large* from the population of the whole state, without requiring the representation of districts by residents thereof. If, however, that old New England habit of *district representation* is so firmly rooted in our political soil *that it must persist*, still the senate would be small and wieldy enough, if each consolidated municipality were to be represented by one or two only of its citizens; since there would hardly be more than ten or fifteen consolidated units in any state.

The object of keeping both local consolidated municipal councils and state senates down to such small membership—nine to fifteen members would be ample for either — would be twofold, as you will readily see.

First, *to make membership* in both state and local law-making and taxing bodies *at once so small and wieldy and so influential, as to be attractive to our ablest and most important men*, and very hard to capture for the average small politician.

Second, *to shorten sessions, lower quantity and cost of legislation, and raise its quality;* with, of course, the gain in greater public service and smaller taxation, that only the ablest and most unselfish representation of the whole people can insure.

CHAPTER IX

SIMPLEX NOMINATIONS AND POLLINGS

It goes without saying that most of our party organizations would fight Simplex Government to a finish, if any serious movement for it should start; because its particular purpose is to take the very bread out of the mouths of professional politicians — in reducing their business of carrying elections to the very minimum, both in size and in reward. As things are now, the capture of local salaried offices, large and small, plus control of local public policy, of local political patronage and of large sums of the taxpayers' money, means a good fat living for those who are the captors; that is, for the whole army of "workers" that constitutes the "machine" of the party in power. As I have shown already, the number and complexity of our local elections is so great, that it is practically impossible to win them without party machinery; *which last can be fully depended upon not to put itself out of business!*

As was the case with "Civil Service Reform," which was forced upon the professional politicians by public opinion, so must Least Government be forced on them, by the pressure of outside, or amateur associations like your own, gentlemen, acting only for the public good against the private interest of every professional. I am not, however, such an incurable theorist as to dream of doing away with him altogether. "The Great Game of Politics," as Frank Kent calls it, is at once too fascinating and too profitable for the demagogue to give up. But he is an expensive bloodsucker or parasite upon the body

politic, of whose existence and activity the less *it* permits, the better for its health.

I have already suggested reducing the number of our elections and elective offices, as a long step in reducing that parasite's opportunities for inserting his poisonous bill. Let me now go farther, and add some long pondered suggestions for simplifying and cutting down to the minimum our present big and endless jobs of registration, nomination and election; the second of which is generally more important, from the point of view of professional politics, than the other two put together.

Our present practice is to register all qualified voters under their respective party classifications upon a given registration day, well in advance of election. Then to vote them, as members of their parties, at "primaries" to determine which candidates shall be party nominees, upon a given primary day, also in advance of election. Then finally, to poll all voters, for all nominees, upon one and the same election day. The same polling place is usually used for all three purposes, registration, primary and election, and voters must appear there thrice in person, on different days, within designated hours. In large communities, to avoid congestion, many polling places are needed; and at each one, for each of the three functions, all parties and candidates must be represented by judges and clerks of election, ticket peddlers, challengers, etc., and there must be police to guard polls and ballots and keep order. This requires the attendance from opening to closing of the polls of a considerable number of paid public employees, and of a much larger number of volunteers *not* paid by the community; who are, almost necessarily, professional politicians engaged in following up at the polls their all-year-round preparatory work

among the voters. As I have said elsewhere, without their active and keenly interested labors our local elections would ofttimes be farcical, because of "political apathy"; for the mass of our voters, under present political conditions, more and more, and year by year, do not take the time and trouble to go so often to the polls.

I think you will agree with me, that this "apathy" is not for lack of patriotism, or of willingness to do a good citizen's duty; *but rather because in actual practice it is not worth while, to take the considerable trouble necessary to vote for one bunch of small politicians rather than another.* We all realize that Democrats are as bad as Republicans, and no worse. Perhaps a Socialist control of local taxation might cost the community more taxes than Republican or Democratic control — and so might Labor control, and to that extent would be worse for us — *but not much! Either bunch is bound to govern and to tax as much as it possibly can! That is the vice of a system of nomination and election, which cannot get along without professional politics!*

It is however probably true that democracy cannot exist, *without party politics* and *party* organization,— that is, without those who *give their time* to party organization; but I do think it is possible to simplify methods of nomination as well as election, so as to require no very great standing or *professional* party organization. Politics would then offer such an unsteady and meagre living, that most professionals would be starved out of the game.

If, therefore, we could consolidate local government, as already proposed, into the largest *efficient* units, say of 25 miles radius, each governed by say 9 commissioners, elected at large every four years, with no other local elections or elective officers what-

ever; and if we could simplify state government down to a single compact elective body, say a senate of 15 members, elected at large every four years, with no other state-elections or elective-offices whatever, it seems to me clear that we could simplify our politics further, by adopting the well-tried system of *self-nomination*, that has been used for some centuries in England, in choosing members of Parliament.

If an Englishman is ambitious to go to Parliament, he can nominate himself as a candidate for any seat in that body—and he can represent any city or town in the kingdom, whether he lives there or not. If he can get the endorsement of one of the political parties, he gladly runs as a candidate of that party. If not, he runs as an "independent," and stumps his proposed constituency himself.

There is no good reason against doing the same in this country; providing we establish some check upon candidacy, lest there should be too many self-nominators. The law of elections might impose certain salutary restraints upon the self-nominator. The simplest and best way for him to reach the people would be by advertisement in the daily papers, paid for by himself; announcing his candidacy and platform, his name, residence, record, etc.; printed long enough before election (say three months) to give the voters time enough to learn all about him. The *cost* of such advertisement, plus certain further election-costs, hereafter suggested, should provide a salutary check upon superfluous and foolish self-nomination.

A still greater simplification of local politics might follow, in registering and polling the voters, by doing away with the requirement that all votes must be cast on one and the same day; which now necessitates the temporary establishment and manning of a large

number of polling places, each of which can handle but a few hundred votes within reasonable voting hours. The creation and discussion of political issues, and the selection of men to fight them out, is a matter of months, or even years; and there is never in practice an emergency such as demands decision on an issue *by all voters within the same spell of daylight*, or justifies the setting up of special-emergency machinery for handling such a congestion of political activity. Neither is it necessary or efficient (*as our voters prove by staying away from the polls*) to drag voters to a polling-place three times or more every year, for what seems to them, and indeed is, of no practical value in securing good government. There is a far better way available, viz.:

Abandon the single election day; and with it the numerous polling-places. Spread the voting over the working days of say four weeks,— or twenty-four week-days. Divide the voters into regional or district groups numbering say 24,000; and establish at a convenient central point of each district a permanent polling-office, manned to handle 1000 votes a day during voting hours. Divide the district into 24 precinct groups of 1000 each; each group to vote at the central polling-place on a certain one of the 24 voting days.

Keep every district polling-office or branch of the bureau of elections *open the year round;* and charge its personnel with the duty, between elections, of making and keeping up to date a permanent card-index of the *entire* district population, this index to be kept *primarily* for *voting-purposes;* but also for other important uses, now not served or else requiring duplicated cost and effort, namely — city-directory, post-office directory, school-census, taxpayers-census, alien, criminal and vagrant-censuses. *This*

index should, in short, give an accurate record of every man, woman and child resident within the district; and perhaps of *transients* too, as is done abroad—though this is not so important.

Charge each district-office with the further task of *registering* all legally qualified voters; by making a house-to-house canvass of the entire region twice a year, after the spring and fall movings, — and making for each voter duplicate registration index-cards (one filed alphabetically and the other by street-address), *signed in ink* by the voter for purposes of identification, *sworn to by him, and numbered. No further registration to be required of the voter!* In case he moves to another district, his cards simply to be transferred to the index of that district; either at his request or when the next canvass shows his whereabouts: *his right to vote meantime remaining good, where his cards are actually on file.*

Charge the district office, too, with the preparation and distribution, by house-to-house delivery say a month before election, of serially numbered Australian-ballots; one for each indexed voter, bearing his registration number and the voting-date for his precinct. The ballot to bear also, printed in the usual way, the names of offices and candidates to be voted for; and a coupon duplicating the latter.

Provide that at any time up to the close of the polls on or before his precinct-voting-date, the voter may mark, *sign and mail* (or mark and *personally deliver, without signing*) his ballot to the voting office, marking, tearing off and retaining its coupon, as his own record of his vote: the alternate method providing for a secret ballot.

For convenience, speed and accuracy, it would be well to provide each district-office with approved voting-machines, with a registering-wheel for each

candidate whose name appears on the Australian-ballot. Each candidate should personally pay a reasonable predetermined charge for putting his name upon the ballots and the machines, in order to put the check of such further and considerable expense upon foolish self-nomination, indulged in merely for advertising or spite purposes.

Do away altogether with primaries, as the means of concentrating party strength on party candidates; and instead provide for such concentration by putting first, second and third choice columns upon the Australian-ballot, so that every voter might indicate by check-mark in the respective columns his first, second and third choices for each place to be filled; each candidate to be credited with *all* the checks against his name in whatever column. In this way the total party strength would invariably be concentrated upon its strongest candidates; without loss of a single vote, and without the superfluous task of holding primaries.

The establishment needed to carry out the foregoing suggestions would be almost absurdly small; if we may judge from the personnel employed in kindred private affairs — such as directory-canvassing, card-ledger accounting, etc. Somewhere from ten to fifteen men and women could easily handle each district group of 24,000 voters.

Every voter would always be registered! If as suggested above, state senators and city or local commissioners were elected at-large, no voter would ever lose his vote by moving; as he might cast it at his former polling-place. *Repeating and colonizing of votes would be impossible.* After one or two elections the voters card-index would become so familiar to the permanent staff of the office that fraud would be too dangerous to attempt. If the voter wished to cast a

secret, *unsigned* ballot, he could do so as at present by coming personally to vote, instead of mailing his ballot.

A moment's reflection will, I think, convince the reader, as I am convinced, that there are very few voters in the United States who do not pass by their nearest centre of trade and amusement, at least as often as once in four weeks. As the permanent district polling-offices would certainly be located (as polls always are) at just such centres, the present duty of each voter, first to go to register, then to go to the primary and finally to go to vote, would simmer down to that of merely *stopping to vote some day when passing the polling place;* or else mailing his ballot in time to be recorded.

For inspectors-of-election, for candidates, and for the press, the daily progress of the voting in each and every district could be followed easily and unmistakably, without possibility of concealment. Especially in close contests would the contending candidates be able to get busy and "mend their fences," from day to day, as weak spots appeared.

I have been able to find but one "out" in the plan for political simplification above sketched — namely, that it would be easy for voters to *sell* their votes, by signing in blank and turning over their Australian-ballots, for cash to any buyer; who could then check off and register them for any candidate he pleased. But it is quite as easy now, to buy votes from those who wish to sell; and such voters are far more sure to register and vote, under existing more troublesome conditions, for what there is in it. Of course, I am inexperienced in these things. Very likely an expert politician could shoot these suggestions full of holes.

CHAPTER X

HIGHER QUALIFICATIONS FOR LOCAL OFFICE

If and when you business men get a foothold in local-government — by running at least *one* of your own first-class men for election as a member of each and every local legislative and taxing body; *and by electing him*, as you easily can,— it will be in order for him, with your backing, to agitate for higher standards of qualification for the *entire* membership of such bodies. The importance of this is shown by the recent research of the Industrial Conference Board; which finds that for 1923 the national government spent $3,459,000,000 while the state governments spent $1,450,000,000 and the local governments spent $5,136,000,000! Only 77 percent of the last named vast total was covered by taxes; the rest our local governments raised by *running in debt* — issuing bonds! The national government of course, ran fearfully into debt during the world war; increasing its bonded debt nearly seven to one between 1912 and 1922. But the local governments (which did *not* go into the war) also increased their bonded-debts enormously,— cities and towns 149%, counties 268%, states 175%! National tax-levies increased 380%; state tax-levies 183%; county tax-levies, 141%, and city and town tax-levies 80%, in the same 10 years.

These vast state and local expenditures and taxes, by far exceeding national expenditure and taxation, are laid on us by men of such small calibre that very few of them are to be found in positions of trust or responsibility in private life. They are voted by *politicians*, whose theory is, that they are elected as

representatives of the people *for the purpose of enlarging*, not reducing, *government and taxation;* and who (though usually good honest citizens) *know so little of efficiency and economy in large affairs*, as never *to recognize governmental blundering and waste!*

The business of any community, even of a small one, is *always* larger than that of most private citizens; and *often* larger than that of any single citizen or corporation. It deserves to be entrusted to the ablest and most disinterested men in the community; who should undertake it as a public duty, as well as for their own large interest in good government. But, as politics are, it is naturally most distasteful to a rich and busy man to waste valuable time in the numerous meetings, and often trivial proceedings, of local boards and councils,— even of state-legislatures. It becomes a distinct sacrifice of money and temper for most very high-grade men to accept such office. Yet, I believe that the great business associations could, *if they chose*, find and persuade such men to make that sacrifice; and that, *once in office, those men could go on to raise the character of the bodies to which they belong, by passing laws raising qualifications for membership!* For instance:

Precisely the same qualifications are needed to make a good legislator, or alderman, as for a good corporation director. They are three in number: (1) *He should be so rich, and so conspicuous by high standing and proved integrity*, as to be not only very influential, but far above temptation or suspicion of grafting, or legislating for his private gain. (2) *He should be experienced in large organization and finance*, private or public, or both. (3) He should not be *uneducated*, even *at first*, in the history and functions of government.

Perhaps as simple and effective a way to insure

the community against the temptations of poverty, and the blunders of ignorance and inexperience, on the part of local representatives, would be to require, that every candidate for state and local legislative-office must have reached *a certain age*, say 40 to 45 years; must possess a minimum private-income, or must be provided with one by some recognized party or association whose principles he stands for; and must show a record of past actual success in *large* affairs, or large organization of men.

It should not be possible, as it is now, for a young and unknown man, ambitious of power or riches, by "going into politics" *to make local legislation his breadwinning and career-building trade!* I do not think it wise, or justifiable as a principle of free government, to make legislators of young, unknown, or inexperienced men, although of inherited means and ambition; despite the patriotism of an occasional Roosevelt and Lodge. There is plenty of public-work for *such* men to do, and time enough before them in which to learn to do it; without empowering them to say what law and government shall be, before they know much about either. The country would seldom have to hold its breath, while waiting for brilliant young fellows here and there to mature.

It *should* on the other hand, *be possible* for a recognized labor leader, a settlement worker, or educator who, though he had never achieved an income, had *nevertheless accomplished something, entitling him to try to influence public affairs*, to be elected a legislator. In such a case, he might be so subsidized or financially backed by his own group, with contributions *openly proclaimed*, as to render him independent of money-pressure or temptation; and to that extent clear his vision of the economic complexes, which so confuse our legislation.

I think you will agree with me that, though at first the big men in a community might be loth to serve as local and state-legislators and tax-layers, they would soon become eager to do so, if local and state legislatures were transformed into the strong, compact and workable bodies, outlined in the foregoing suggestions. Very few men of ability and position now refuse to serve, and without compensation, as bank or railroad or large corporation directors; because they value the prestige conferred by the office. Just as few would refuse to serve, for instance, as one of say nine men of the highest standing; chosen *for four years*, to make the laws and determine the expenditures, of an important consolidated-unit of local government, or of a great state. Not only would they not *refuse*, but they would eagerly *seek* such election, as an honorable and useful crown to a successful business or professional career; especially if, as would naturally be the case, it might be but a first step towards similar and larger national service and honor.

Until about a hundred years ago, commerce and agriculture offered rewards smaller in money (and far smaller in fame) than were hung up by war and politics. Consequently, most able and ambitious young men tried to get into army, or navy, or government service, as the most promising career. This was particularly true of the aristocracy. In our day and country, however, the rewards of "big business" are so much richer, cleaner and more certain than those of politics, that for the last two generations the latter game has been rather discredited, as not one for an honest gentleman to play. Excepting the tip-top places, namely, the presidency, the senate and perhaps the congress of the U. S., the Governorship of a state, or the mayoralty of a considerable city, our

multitudinous insignificant elective offices possess no prestige or attraction whatever for the first-class men who ought to hold them, in justice to the really large affairs of the community.

If such men really *wanted* elective office, for its prestige or usefulness, or both, *their ability would certainly land them in it. Nothing could stop them!*

To conclude this subject — *there is no use in electing officials who are merely to execute laws passed by others! Only legislators have power to reflect the changing will of the people; and they alone should be elected!* To *elect* merely executive, or judicial, officers *is not only waste of political* effort; but tends to set a judge or executive, who may not choose to execute the law, *above* the law — because independent of the law makers!

It is my sincere conviction, therefore, both for the sake of efficiency in government, and to enhance the prestige of elective office, and make it an object of ambition to the biggest men, that the wise thing for Americans to do (at least in state and local governments) *is to elect only the legislators;* and also to cut *their* number down to the very smallest number sufficient to man the necessary working committees.

If this were to be tried; and if at the same time some such simplification as suggested above, in our methods of nominating candidates and polling votes, were used to loosen to the utmost the present grip of the "machine" upon the candidate; I think you will agree with me, that our very ablest citizens would be proud and eager to give their city, or their state, the very best that is in them, for the public weal. It could be tried town by town, state by state.

Perhaps one *negative* qualification for candidacy should be added to the positive qualifications suggested above, viz.: not more than two members of such

small legislatures should belong to, or be supported financially by any one business, professional, religious or racial class or group; or indeed by any group or interest whatever, large or small, unless acting as a regular openly-organized, political-party. There ought not, for instance, to be so large a preponderance of lawyers, as there is today, in most legislative bodies; nor ought organized-labor or the Ku Klux Klan, or the Germans, or the Irishmen, or any private, politically irresponsible, group, to "control" any *considerable* number of votes in such compact bodies.

It is true, however, that their very compactness should so concentrate public attention upon the individual action of their few members, in a sort of "spotlight" glare, as to make legislators keenly alive to the danger of playing favorites. No legislator could dodge voting, or "pass the buck," without exposing himself to just censure and retribution at the polls. "A consummation devoutly to be wished," as Shakespeare says.

CHAPTER XI

TAKING THE MONEY OUT OF POLITICS

"WHERE the carcass is, there will the eagles be gathered together," says the Bible. Where the government jobs and contracts are, there will the politicians be gathered together!

As I have said before, the money in politics depends namely on local elections; that is, those of state and local legislators and councilmen who vote, and executives who spend taxes. They have the jobs to give and the contracts to let right at home, where the party workers grow; and when it comes to doing so, naturally they "recognize the organization" that elected them. The organization in turn "recognizes" a few captains, and a good many "non-coms" and privates in the ranks; who are well "taken care of." There are six regular ways to do this, coming along in order of time about as follows: (1) Sharing in party campaign funds, about election time: which is a perfectly legitimate, but not very steady or fat, source of income for ward-politicians. (2) Distribution of salaried jobs, on local or state payrolls, usually soon after elections. (3) Awarding construction and supply contracts to favored friends. These two (2 and 3) are semi-legitimate and *continuous*. (4) Graft collected, directly or indirectly, on jobs and contracts. (5) Graft collected for passing or defeating franchises, and laws affecting business interests. (6) Graft collected for protecting vice and crime against the law. These three (4, 5 and 6) are wholly illegitimate; but fat and *continuous*, year in and out.

Now it is plain to see, that if a candidate should nominate himself; and put his personality and

political purposes before the public rapidly and thoroughly, by publishing his candidacy, and his arguments for his own election, *in the daily papers;* he could reach the entire body of voters, men and women, weeks before election and far more certainly than most candidates do now, without putting himself at all in the hands of, or under obligation to, any bunch of local politicians.

Of course, the candidate, under my proposals, would have to *pay the cost* of such advertisement; and of putting his name on the Australian-ballots and the voting machines, if used; but *that* would not deter independent candidates of private means, or regular candidates without means, but representing and financed by parties or groups, from standing for election. Yet it *would* discourage unknown, obscure and impecunious men, with no great chance of election, from throwing away their cash in foolish failure. From first to last, self-nominating and campaigning for local office *by advertisement* would be far cheaper in cash (say nothing of moral obligation) both for independent and party candidates, than would be the support of ward politicians. One of the leading State Street merchants in Chicago (who was always active in the local Republican organization, and once appealed to me, to help raise $60,000 for the local fall-campaign) told me in answer to a question, that he could reach the people in political campaigning, through the press (just as he did with his daily sales-advertising) for half the money, and far better, than he could with mass-meetings, and parades, and brass-bands, and ward-clubs. He certainly was a master of both methods, and knew whereof he spoke, by long practice on a large scale.

No doubt such radical changes as the above would have to be *forced* on the politicians, by creation of

powerful public-opinion demanding them: and then they would have to be tried out, for actual workability. At first, the existing machines would naturally put up their own candidates, as usual; though complying in form with the new law. *Where they won*, the machines would get their *quid-pro-quo* in the old way; but where they *lost* (and they *would lose* here and there) the winners would be under no personal obligation to subsidize them out of the taxpayers' pockets; and some of the machine politicians would have to go very hungry for a year or two. Another defeat or two would drive a lot of them into some less famine-stricken trade. In course of time, too, candidates would become "wise" to the fact that they need not buy the "machine," and then the day of the ward-boss would pass.

Meantime, we know very well that our national as well as our local party organizations are financed mainly by means of the payrolls of the *local* government. Usually one or more of the national victor-party candidates will carry the local elections, and can distribute the local jobs and contracts; which are far more available for their party friends than the national "plums." The postmastership, the internal revenue collectorships, the port collectorship in seaboard towns, some clerkships, etc. (in all a few hundred lesser jobs), are all that our national government can allot in most cities; but the local and state salaried-jobs count up by thousands. Mr. Jas. A. Emery found that, in 1922, about one in twelve of the 38,000,000 who work for wages in the United States are on our various government-payrolls; some 3,400,000 of them! Every *eleven* workers thus have to pay for a *twelfth;* who neither produces nor distributes anything of value, but merely helps to govern. Twenty years ago there were *twenty-three*

workers to a *twenty-fourth* who governed! *The burden of government is growing! It will continue to grow until we take the money out of politics!*

That, however, is no easy matter; and probably will never be *entirely* feasible. Yet, the simplification of nominations and elections, as above suggested, would go far to dry up the first above-named source of money in politics, — the distribution of camaign funds, — by making it possible to get along without the local machine. The other five sources enumerated above (all flowing from favoritism exercised by elected legislators, executives or judges) might largely be done away with, by laws making it a crime, or misdemeanor (punishable with loss of office, and such farther penalty as may seem most effective) for any person to offer, promise or pay, or to solicit, assent to, or accept, any reward or favor of material or political value, in consideration of any official action taken or decision arrived at in the discretion of any public officer, or legislative body.

There would, of course, at the outset be the same difficulty in enforcing laws which would kill the *trade* of politics, as there is, for instance, in enforcing those that kill the liquor trade; but I imagine it would not be as great. A thousand citizens would gladly defy the "Volstead Act" to very few that would willingly upset an "Act to Minimize Political Graft." I think it safe to surmise that the American voter (though he has had no chance as yet to say so) is distinctly *against* our present system of providing professional politicians with a good living, as payment for debauching our elections, in the five ways above mentioned. If your great and reputable associations would but *lead in taking the money out of politics*, I believe the country would follow you, with enthusiasm.

CHAPTER XII

LIMITING THE SCOPE OF GOVERNMENT

We now come to our ultimate move in the direction of Least Government, *that for limiting its functions*. As I have said already, you business men would, if you go out after Least Government, probably start by establishing a competent steering-committee; to study and report *how far local government can wisely go, and where it should stop*, in community-undertakings. Let me give you, however, my own studies in the proper scope of government, for what they are worth, as a starter of discussion.

From time immemorial all men have accepted government of some kind, for their common protection. At first it was often a simple tyranny of the strongest man; by his own bodily or mental force, and by no one's leave. Nowadays we have "government by, of and for the people." But in all ages the primary purpose of all government (except recently in Soviet Russia) has been the defense of the life and property of each and every citizen, against violence, theft or fraud; whether from within or without the community. This purpose necessarily resulted in army, navy, diplomatic, and consular establishments, to protect all citizens against foreigners: and law, justice and police establishments, to protect them against their fellow-citizens — the weak against the strong. To pay the cost of these things, taxes had to be laid and collected; and tax-assessors and collectors had to be appointed and paid. This short statement fairly outlines the foundation and the framework of government; and indicates its primary purpose and irreducible minimum of scope and function.

From the very first, however, almost from the dawn of history, it was so easy and natural, having put government and the means of paying for it into the hands of a few strong men, to go step-by-step far beyond the *primary* purpose of *common defense*, and use the public power and the public purse, for the *secondary* purpose of the *common welfare*, that certain public works and public services date far back into antiquity. For instance, walls were not enough for ancient cities; good roads and water supply were almost as indispensable. Good money, and exact weights and measures, soon were needed, too; and had to be established, or made authoritative, by some power accepted by all. *So government provided these things.* Then came common defense against fire, pestilence and famine; and poor relief, or common care of those who cannot care for themselves; and ultimately came education of the young. We Americans, especially, are voluntarily and definitely committed to the doctrine, that *the state shall at least offer to every child the opportunity to develop a sound mind in a sound body.*

The main argument for imposing these secondary activities upon government has always been, that they are fundamentally necessary for public welfare; yet are so big or so unprofitable, or so dangerous to our liberties, that they will not, or ought not to be allowed to, develop spontaneously, as private enterprises for private profit.

On the other hand arise the main arguments against imposing *secondary* activities of all kinds upon government,— and most powerful arguments they are — namely, (1) that to organize and maintain merely the *primary* and indispensable functions of government *is a task already so vast as to overtax the powers of man*, without adding needless burdens.

(2) That it is the worst kind of blunder to educate the citizen to lie down on the community for his own welfare, work, wages or daily living,— say nothing of wealth,— all of which have, in all history, been the reward only of individual effort. It is poor statesmanship for government to "baby" the citizen, or weaken his pride and ambition to earn his own living, carry his own weight, and *strengthen* rather than *depend upon* the state. *For strong citizens make strong states!*

All these main arguments, both for and against secondary governmental functions, seem to me clearly to develop two very plain and simple principles for limiting government, with some certainty of its continuing efficiency. Here they are: —

(1) Government should *stay out* of the ownership, operation, or even regulation, of any and every public service or business which has developed or is reasonably certain to develop spontaneously by private initiative for private gain: and

(2) Government should *avoid all attempt to interfere*, by statute law, *with the natural laws of trade* — which are nothing but the dictates of human nature, in its selfishness and wisdom, obeyed by millions upon millions of human beings, in their countless daily dealings with each other — for the excellent reason, that *natural* law, granted a little time, is not only the best and swiftest *but indeed the only permanent cure* of injustice in trade, and distortion of human conditions. Furthermore, no government can possibly enforce an *unnatural* law, offensive to average human nature. Witness our present troubles in enforcing the Volstead Act.

Meantime we know, by centuries of government, that a few secondary functions, though seldom as well or economically done as like work in private business, yet work well enough to be worth all they

cost. Such are for state and local government, in the order of their importance, water-supply, good-roads, sanitation, education, care of the sick and defective, and the poor; and for national government good money, weights and measures, and the fostering of agriculture, trade, science and art.

Merely to call the roll of the foregoing useful and *workable* functions shows how vast and various an affair the simplest state and local government must be. *Each function is a great business;* requiring exceptional ability to organize it well, and exceptional integrity to run it economically — because of the fact *that it is not, like business, compelled to pay its own way.* For government *can tap the pocket of the taxpayer* to meet its cost! Now, it is hard to secure that exceptional ability and integrity in government service, mainly for the following reasons: —

Our public policy does not give first-class men a free hand to get results, such as they can get in private life; moreover, they are never given such a contingent personal interest in good results achieved (for instance, a percentage of any saving effected in unit cost of service — or upon increase of service done at same unit cost — otherwise a bonus for good work) as to pay them like private employment.

Yet, a faithful government department head, just because his job is bigger than most private jobs, ought to be able, *honorably*, to make *more*, and to retire *better off*, if he saves his pay, than if he were working for a railroad or banking-house. The people ought to have the *best* service of the *best* men; *and to pay for it accordingly!*

I freely admit the fact that modern methods, and convenience of communication have much enlarged the scope of modern business organization. With the telephone and motor car to save time, and maintain

personal contacts, and with modern records, files and indexes, a managing head can keep in easy touch with and control of the work of far larger and more distant forces, than of old. I have already indicated what I believe to be the natural geographical limit of efficient local-government, namely, the "commuting" radius. But as to *functional scope*, *I believe we have already gone the limit, if not beyond it,* in *useful* public undertakings; with the single exception of our backwardness in public-accounting, auditing, comparative municipal-research and publicity of expenditure.

I make this exception because, in attempting to write about the limits of government function and efficiency, *I can discover no effort,* among the thousands of American town, city and state governments, by publicity of contracts and salaries, or by tabulation and comparison of working results with each other, *to establish standards of public service and cost thereof!* It would take me the short remainder of my life merely to make a beginning in compiling data, for approximating such standards. *Yet they ought today to be at hand* for every governor and mayor — indeed for every editor; just as every railway executive has at hand today the standards of the Bureau of Railway Economics, to measure his own work by. Meantime all of us must write more or less ignorantly.

But I hazard the general assertion, subject to the exception noted, *that state and local-government function has already gone the limit,* because of the one revelation that politics cannot prevent, — *that of the tax-bills!* As everyone of you business men knows to his personal cost, and as the National Industrial Conference Board has broadcast to the whole country, our state and local tax-bills have mounted from a little under $22.00 per capita in 1912, to just under $60.00 in 1923. Yet *that* vast increase did not pay

all the bills run up by our politicians; for the *debt* (mostly represented by bonds) of our states increased in the same years 175 percent; of our counties 268 percent; and of our cities and towns, 149 percent. Our total state and local taxation in 1923 was 6586 millions; and our state and local debt in 1922 mounted to the staggering sum of 10,261 millions.

Now, I would ask you, gentlemen of the great associations, *what have we to show* — what are we particularly conscious of, *in the way of greater or better state and local government service*, with the single exception of better roads, — in return for paying nearly three to one in taxes, state and local; and for running in debt by over four billions of state and local bonds since 1912?

My question would be far more pointed, were I to go back fifty years instead of ten! There are, of course, some buildings, court-houses, jails and asylums to show, and some water works, parks, public-libraries and schools. A lot of relief and educational work has been and is being done. But whether that work is *economically* and *wisely* done, — whether our buildings and institutions are worth their past and future cost, — how far our taxes have been and are going to be *wasted*, largely for the benefit of our local politicians — to all these questions, *as to the past*, life is too short to compile full and trustworthy replies. But I am sure that you gentlemen of the great associations, from your general observation and experience, will agree with me, that the work done by state and local government in America, during your lifetime, has cost probably *double* what would be called reasonable in private business; also that much of that work would have been better left altogether undone.

You will further, I think, agree with me, that this is

(1) *because state and local-government itself is too complex and cumbrous;* (2) *because both already try to do too much, yet always reach after more;* and (3) *that such is bound to be the case,* so long as both are run by small politicians, *as a means of getting their livelihood.* So much for the past and present.

As for the future, do you not think that the common sense and genius for self government of the American people would accept your leadership, gentlemen, in ironing out the aforesaid wrinkles in our governmental system?

CHAPTER XIII

CHAMBER OF COMMERCE AND UNIVERSITY COÖPERATION

In the future, however, *and the wiser limitation of government*, lies for you a vast and fertile field, gentlemen of the great associations; especially the Chambers of Commerce. For today you can rapidly and continuously and at moderate cost gather exact knowledge and establish sound standards of function and expenditure, for *all* state and local-governments, by coöperating with existing organizations in a general survey and tabulation of current and future public fiscal records.

The most conspicuous and authoritative gatherers of accurate knowledge are the Universities, and the great economic and trade associations, notably the Chambers of Commerce. *I suggest their coöperation in governmental-research*, as follows:—

The records of our state and local governments are public documents, and usually open to any taxpayer at reasonable times. They are continuously grinding out data, in enormous mass, from day to day; and set forth the multitudinous receipts and disbursements attending the vast daily business of the communities. To read and analyze them is a huge task; only to be accomplished by persistent, expert and highly intelligent researchers. Therefore to build up a permanent salaried bureau, adequate for maintaining a real and continuous survey of state and local activities and expenditures (such as is badly needed everywhere) would entail colossal expense. But I submit, that the machinery already exists for doing this, by volunteer work, and at nominal cost, if properly sponsored and organized.

In nearly all the states there are great Universities, one or more in each state, that offer courses in history, and political economy; and many also teach governmental and business administration. The professors in these courses usually are, and ought always to be, able trained researchers and writers in their chosen fields. They have also a perennial crop of clever students coming along, from every city and town, year after year; young men and women, vigorous and keenly interested in the life just opening ahead of them. Now, there could be no better practical "laboratory-demonstration" of the working of economic law and political institutions, than the day-to-day compilation and analysis of public records,— by each student for his own home government, in standard form supplied and supervised by his professor; the latter acting as one of a national organization of professors of economics, of all the great Universities. There could be no better training in citizenship, for the coming voter, man or woman, than the intimate knowledge of the working of his or her own local-government; which would result from one or two seasons' study of the public works, jobs and salaries, voted by local politicians, for perfectly familiar local needs! *Moreover, students have time to study! That is their job. The rest of us, alas, do not!* Furthermore, in all the states, and most large towns, there are Chambers of Commerce, composed of few politicians, but many business men; experienced organizers, daily sufferers from bad government and waste; wise as to local-needs and local-costs. No body of citizens could be better prepared than they; and none would find it of more direct money-value, to analyze, publish and compare the work and cost of their own and other governments, than the local Chambers of Commerce. It should likewise be to the

National Chamber of Commerce at Washington, an interesting and easy task, to prepare and distribute standard forms for analyzing and tabulating the financial record of states, cities, counties and towns; in order to accumulate reliable data of maximum, minimum, and average costs — per standard unit, or per capita of population — for every kind of governmental service. I imagine that the local Chambers would gladly furnish the office facilities for, and provide the permanent care of the locally accumulated data, sending merely tabulated totals to Washington.

There are, too, other strong organizations, though not so wide spread as that of the Chambers of Commerce, like the National Bureau of Economics, the Industrial Conference Board, etc.; which no doubt would powerfully coöperate with the Chambers of Commerce and the Universities, in the large task of organizing an accurate *survey* of government in America. After it was once well under way, say in two years,— it should become practically impossible for local politicians to let grafting contracts, or to overload public payrolls, without committing political suicide. For I do not believe it would be possible to corrupt or to muzzle the eager young watch-dogs of the Universities, or the cooler old ones of the Chambers and Associations: and *their* discovery of anything crooked *would have news-value* and authority *too great for the press to ignore!*

This matter of establishing a permanent and complete survey and surveillance, of *all* local public activity and expenditure throughout the United States, seems to me an exceedingly important,— perhaps *the most important*,— service, that Organized Business could render to the country that supports it. I may be over optimistic; over-ready to advocate changes and simplifications in our governmental

structure, that may be too radical for our easy-going American political-inertia to tackle; but *even were we to go on entrusting our vast state and local expenditures and taxation to the very mediocre men who now determine them,— I should yet have faith in the honest purpose of the average American legislator to do the right thing; provided only that he knows what it is!* I am confident that if, by authoritative survey and wide publicity, you gentlemen should *educate him* up to standards of cost and service, to which it would be more or less *shameful* for him *not* to conform — his local pride, and the pressure of public opinion, *would compel his conformity;* no matter how mediocre a "representative of the people" he might be.

And if, meantime, by dint of simplifying local government, and enlarging the power, dignity and prestige, of state-senates and local-councils, you gentlemen should have made it *fashionable* for the ablest of your number to seek election to those really important bodies,— then indeed might our beloved country turn a new and radiant page in the history of democracy, whereon the words "Representative Government" and "Good Government" might well be used interchangeably.

CHAPTER XIV

SOME GENERAL PRINCIPLES. ANTI-COLLECTIVISM

It would be an impertinence, if it were not to save time in going over ground so often traversed by myself, and other far abler thinkers, to suggest *general principles* for the guidance of such competent committees as you would surely appoint, in promoting the broad coöperation of Chambers of Commerce and Universities outlined above. But it may not be amiss to note a very few cardinal points, as an aid to others who happen to read this little book, in developing a reasoned public opinion on the live issue of "Collectivism."

Our American democracy is one of the most recent and so far of the most successful experiments in human government. Not without reason we think that it suits human nature better, and is more likely to endure — is indeed more nearly the *ultimate* form of government, than any other in history. But it is still comparatively young, and undamaged by time and circumstance. Already we see that the *mob* today is just as pitiless as the *tyrant* used to be; and that our demagogues love political power and plunder, quite as well as any autocrat ever did. Just now it does not look as though democracy were so certain to last, even for as many centuries as autocracy has often lasted. There is in the newer democracies of Europe a strong drift toward dictatorship, by reason of the breakdown of parliamentary government due to "blocs" and factions.

The obvious danger to democracy everywhere lies mainly in "collectivism"; that is, in the growing

habit of using the collective power of the community by law to forbid, or else compel, the individual to do something (supposedly) for the common benefit,— and creating salaried bureaus or commissions to enforce the law. This involves imposing taxes, big enough to pay the salaries and expenses incurred.

The collectivists (better known here as "progressives") are, I may observe, an uncertain quantity — as it were an "x" — in our political equation; and so far constitute a minority, though a very aggressive one. The collectivist camp is the happy hunting ground of the demagogue and the bureaucrat. The former, as champion of the oppressed, can always sponsor some coercive measure, which is pretty sure to capture the enthusiastic support of a lot of sincere believers in unlimited appeal to the people; while the latter, if the measure passes, is certain to revel in a new bureau, with new salaries and more taxes. Without an exception that I can recall, "progressive" (or collectivist) legislation proposes that government shall take away something from those who prosper under natural laws and conditions of trade, in order to make the less prosperous better off and happier. But, as far as my reading reveals, no law that has so mulcted the prosperous, has ever failed to mulct the "people" harder still. No attempt to set aside by statute the natural economic law of supply and demand has ever worked out in anything but loss, sooner or later, to all concerned.

The whole progressive, collectivist, red or pink socialist philosophy — call it whichever you please,— assumes that government, *offering* the people this or that service *without profit*, is certain actually to do better by them than the capitalist, who offers the same service at a profit. Oftentimes, the capitalist is held up to scorn and execration for taking a profit

at all, and is denounced as an "exploiter" of the people.

Yet, as a matter of history, government never has done so well by the people as capitalism habitually does. The record of governmental and socialist failure to serve efficiently, which had already reached formidable length, has grown vast and various, since the turmoil of the world war. The scale of experiment has been colossal. To cite but a few of the most conspicuous and costly ventures in collectivism, consider our own American three billion dollar loss in government owned ships; our billion and three quarters dollars loss in government operated railroads and telegraphs; our billion loss in airplanes, and another half-billion in machine guns, nitrates, etc., — all in two short years. Consider that we are farther off from an American merchant marine today than we were in 1890; and still are throwing away fifty million dollars a year, in a perfectly senseless effort to force the ocean to run up Capitol Hill. Consider that our railroads, once more in private hands, are now operating at a profit; as they did for half a century until government operation in 1918–1919 changed profit into loss. Note that our machine gun and airplane factories, left to themselves since the war as private ventures, are taking excellent care of themselves; while on the other hand our government-owned nitrate plants and merchant fleet are going begging, with Congress at its small wits end to decide what on earth to do with them.

Or, consider the biggest business failure of history, that of Soviet Russia! After five years of state monopoly, its mighty dictator, Lenine, last year gave up a losing fight against the laws of trade; and proclaimed his "new economic policy," which largely restored the liberty of the citizen to own property, and buy

and sell in open market. Immediately the dead commerce of the great Russian cities began to revive; and grew so fast that private merchants were fast driving the government shops out of business. Then Lenine died; and his successors, taking fright at the "N.E.P." began once more to freeze out private enterprise. A second time black despair and bitter hardship have settled down on Moscow; until now, as I write (April 1925) after but a few months of it, the Bolsheviki again admit the failure of government-trading, and ask private capital to return to the markets and save the very life of commerce. *Verily, it is time!* Eight millions of the most industrious workers, in one of the most fertile valleys on earth, are starving; and once more rich and generous America is called upon to feed foolish, destitute Russia.

There is no mystery about these failures of collectivist government, American or Russian, to enrich the masses of the people; or indeed anyone else than those who live by taxing their countrymen. No *government* has *ever* done differently! *All* governments *fail to create* wealth, and merely *spend, or even waste it.* For creating wealth is *hard* work, and saving it is *dull* work; and men and women, as a matter of fact, will neither work or save for the entire community — *that is, for the government* — as they gladly do for themselves. *Every reader of this book knows that fact perfectly well!* It is as old as human nature. *Yet no socialist, collectivist, or progressive, takes the least account of such trifling things as fact and human nature! "We'll pass a law,"* say these dreamers, "and *change* human nature! Meantime, we'll act on the assumption that it *has* changed." But — it never changes!

Now, most human beings like to work reasonably

hard; and get bored if they have nothing to do. Most of us prefer to earn our own living, and be independent of our friends, and of the state. That is, *we love liberty;* and to work for *our own* benefit, and to choose *our own* employers. It is not necessary to pass laws, or set up bureaucracy, to compel most of us to *work hard for ourselves!* But it is a very different proposition, and requires *compulsion*, to make us work very hard for the entire community; especially if we individually gain nothing whatever by doing so, and are sure (whether we work or not) of as good a living as anyone else gets; which is the socialist, collectivist idea of the fair thing.

That philosophy is based on two magnificently false abstract, or imaginary assumptions, viz.: (1) the abundant capacity of the whole community, working together in scientifically ordered coöperation — for production, exactly proportioned to the needs of the population, without shortage, or surplus, or competition, or waste, (2) the unlimited ability of human government to order and maintain such perfectly balanced scientific coöperation, under centralized authority.

Both of these fair pipe-dreams entirely vanish before the grim reality,— as history proves a thousand times, and as every man of large executive responsibility knows by personal experience. *Human beings are not fundamentally coöperative, but on the contrary are individualistic. They are not altruists, but self-seekers, if we tell the honest truth.* The Creator seems to have so ordained the world *that every man must carry his own weight, and be selfish (or self-supporting) enough to do so.* For no man or group of men is strong enough to carry the crowd! Nor is any man wise enough, or big enough, nor has he hours enough in the day, *successfully to order and control* the vast

labor and countless tasks *of the entire community*, under centralized authority. *Life is too short, and man is too feeble for omnipotence!*

But, I am hammering into you experienced business men what you already know. Can you not now systematically, through your great associations, pass along to the inexperienced, uninformed public, these few simple *basic* principles of free government, to wit:—

(1) *The Principle of Liberty.* That every citizen shall be *free;* to do as he chooses, and keep what he gets, so long as he does not trespass on the right or liberty of others.

(2) *The Principle of Law.* That *law* shall defend each man's rights and liberties; and forbid to all the rest of the world all acts destructive of either. Consequently, law must in general be *negative;* saying merely what shall *not* be done, in respecting the rights of others — but leaving to every citizen his liberty to do as he pleases, *up to the point forbidden.*

By the same rule, the law must not *dictate* to any man what he *shall* do. It cannot, consistently with liberty, be *affirmative* or *compulsory.*

(3) *The Principle of Limitation of Government.* That the primary use of government must be *negative;* or *protective* of life, liberty and property, against external or internal crime. Yet it has been found advantageous, by centuries of experience, to add a secondary use of government — that of *positive,* or coöperative, action for the common good; doing for everyone, at the common expense, certain useful services, which are too unprofitable or too dangerous, politically or financially, to develop spontaneously, like other human activities, at private risk, for private profit. But neither the primary nor the secondary purpose of government should be the production of wealth. Both are in the nature of what is called over-

head or unproductive costs, in manufacturing; and both are paid for by taxation. *It is to the public interest, therefore, to reduce both,*— that is, government itself,— *to the very minimum!*

It is evidently unnecessary, that government should undertake any business, no matter how useful and legitimate it may be, which will develop of itself, by private initiative and with private capital, for private profit. Moreover, experience shows that it is *unprofitable* to do so,— more of which hereafter.

(4) *The Principle of Putting Least Strain on Human Nature.* That *human nature must be taken into account*, because government has to be carried on by *men!* The socialist dream of making everybody work for the state, as universal employer of all labor, — and feeding everybody at the public crib, share and share alike to all, — *puts too great a strain on human nature.* All the world knows, ever since government began, that men will *not* work for the socialistic state, as they work for themselves. For it stands to reason, that the fast-worker is bound to slow down, if he gets no better pay than the slow-worker; and that the lazy man will be lazier still, if the state guarantees him a good living — no matter how lazy he is. The fanciful formula of the socialist runs as follows: "*From* every man according to his *ability*. *To* every man according to his *need*." But the enforcement of the Volstead Act would be child's play compared to the fantastic task of wringing from all mankind work according to ability; and allotting to mankind this worlds goods according to need. *Who* would be so rash as to display greatest ability, or least need?

Let me boil the foregoing principles down to as many maxims:

(1) *Do not try to coerce free men.* Shun collectivism.

(2) *Let government stay out of every kind of business*

that will start of itself, for private profit; and let it leave all such business *entirely alone*.

(3) Trust to the impartial and inexorable laws of trade, and to time (which always runs, and never stops) to iron out temporary injustices; which always come in human affairs, *but never last*, where there is liberty.

(4) Do not ask too much of human nature; *or expect men to govern faithfully merely from patriotism. So organize government, that faithfulness to public duty shall pay the governors, not only in honor but in cash*, as well as faithfulness in private life,— *nay, better!* For public affairs are greater than private.

CHAPTER XV

THE CONUNDRUM OF PROHIBITION

I CASUALLY mentioned the Volstead Act in passing, just now. Let me turn aside for a moment to use the unsatisfactory working of the 18th Amendment and the Volstead Act as striking illustrations of the soundness of my 1st and 4th General Principles of Anti-Collectivism set forth in the last chapter, namely; those of Liberty and of Least Strain on Human Nature.

From the dense fog of discussion of prohibition and its consequences two big facts are slowly emerging into plain sight: (1) That the abolition of the saloon has been of great economic benefit to the working-classes in cities and towns; with a saving of money formerly spent in useless sociability so great as to be amazing. (2) That, nevertheless, actual drunkenness, debauchery, and old-fashioned crime, have materially increased; while the new crime of "bootlegging" is universal, immensely profitable, and most disastrous to the morale of our people and our government alike. Everyone is talking about our "crime-wave." Wets and Drys are alike railing at the government; and a straw-ballot just now being taken by several hundred newspapers over the whole country appears to show a staggering majority, about 6 to 1, in favor of repealing or modifying the Volstead Act.

It is not the first time, by scores if not by hundreds in history, that human law has tried to standardize human conduct, and has invariably failed. Particularly when (as in this case) the law not only tramples on a man's liberty to do as he likes without harming his neighbor, but moreover hangs up a rich money-

reward for its own breach, has it always proven impossible to enforce law. Such legislation, with the best intention in the world, is almost criminally *stupid!*

Personally I believe in *obeying* law, stupid or not; and though I like wine, beer, and an occasional cocktail as well as the next man, I have never bought any since June 1919. Long before that, about 1882, when I was a director of the Chicago Y.M.C.A. a study of the local saloon situation convinced me of its frightful wastefulness. The working men of that city were then earning an average of $550. per annum, and were spending $165. of it in the saloons! The population was then about 1,125,000 and there were 5300 saloons, in which, allowing each saloon sales of but $15. per day, about 200,000 adult men were spending annually $33,000,000.; or say $10,000,000. more than the total public expenditure of the city and county. *Less than one percent of them were drunkards*, or undesirable citizens. But they were so *wasteful*, thanks to the saloons, that I felt and still feel that the state ought to see to it, that no man shall make it his paying business to tempt his fellow men to certain waste, and possible want.

But it then seemed and still seems to me impossible *to enforce prohibition* of a trade, that is not only profitable but popular and reputable in majority opinion. The only way I can see to take the curse off the trade, is to entrust the sale of intoxicants to social clubs, *owned and run by the people themselves*, and granted by law a monopoly of such sale, each in its own neighborhood. Every resident of each neighborhood to be, *ipso facto*, a member of its club; subject however to expulsion by its governing committee for intemperance or other reprehensible conduct. Each club to make its own rules, and establish its own

discipline; but to be subject to forfeiture of its license and monopoly, because of intemperance permitted, or intoxicants sold to non-members. Each club to be a social center for its own neighborhood, open to men, women and children; with reading room, lecture room, lounge, dance-hall, movie-stage, café, billiards, bowling, restaurant, etc.; and to charge no dues, but reasonable cash fees for entrance, amusements, food, smokes, drinks, etc. The profits from all sources to be used entirely for rental, maintenance and improvement of the club and its attractions. The club-building would of course be large and costly; and would have to be provided by philanthropic capital (or the taxpayers) and leased to the club. It should do a large business, and could afford a reasonable rent if properly run.

Before the Volstead Act the saloon was the working man's club; and he had as good a moral right to his social meeting place as the rich man had. If the law takes away the saloon, it should give something in its place. I had long noticed in my own gentlemen's clubs (if I may call them so) that over-drinking was practically *barred* by public opinion among members; and that such rare cases as occurred were disciplined by the House Committees, with universal approval. I could see no reason why the same result should not come about, in such neighborhood-clubs of open or general membership as I have described. I assumed, until trial should show the contrary, that well known and highly respected men and women would be chosen by their neighbor members to fill the governing-committees of such neighborhood clubs; in order to preserve their usefulness as family resorts, by enforcing decent conduct.

I further assumed, that rivalry would develop among neighboring clubs, as to attractiveness and

service to members; and that each club's monopoly of the trade in intoxicants would be so valuable, as to set its entire membership to keeping sharp watch for competition from "blind pigs," or "bootleggers," in its territory; and lastly, that the clubs should be kept out of politics by law.

In short, I sought to make not only the public opinion but the private interest of all club members — *that is, of the mass of the people*, — active to suppress unlawful selling of intoxicants; and to make of their lawful sale and temperate use the harmless instrument of human happiness, that the Creator must have intended, when he caused the grape-vine and the hop to put forth their beautiful foliage and fruitage. Instead of prohibition, fettering personal liberty, and putting on human nature a strain which we well know it can not bear, I would so frame the machinery of the trade in intoxicants, that the every-day comfort, and unquestionable love of decency, of the mass of the people should insure the inestimable blessing of temperance; *without* Constitutional Amendments and Volstead Acts, that accomplish little more than to start the constitutional foundations of free government to cracking and slipping. *The masses of the people must be arrayed against the bootlegger, if his power for evil is to be minimized!*

CHAPTER XVI

NO STATE REGULATION

I HAVE urged that government shall let business alone; and trust to time and natural economic law to regulate it. It is worth while to enlarge upon this a little.

There is no doubt that, as the Bible says, "the destruction of the poor is their poverty," and "to him that hath shall be given." The poor man buys fifty pounds of coal, or five pounds of flour, and carries them home himself; yet pays half as much again for them as the rich man pays for coal by the ton, and flour by the barrel, delivered at his door. The rich man usually *saves* a large part of his income; and knows enough to invest it in enterprises that pay him ten, twenty and an hundred fold. The poor man saves but little; and, if he is not swindled out of that little by some promoter or faker, does well to put it into a savings-bank, or a good bond, at 5 percent interest. The main reason, why the poor man is and remains poor, is lack of brains; lack of wit to earn, thrift to save, and knowledge to use his savings. A very few men in every hundred or thousand have industry, brains *and* thrift, all three; and *they* get rich fast.

The socialist, or collectivist, theorizes that the few grow rich by robbing or cheating the many, who earn little and save less; and that it is the business of government to stop such robbery, by state regulation of "profiteering," — that is, by "robbing the robbers."

Now, you gentlemen know by broad experience, — but most Americans do *not* know, because their daily lives do not give them broad experience, — that state

regulation may indeed stop "profiteering," and put an end to "big business"; but at the same time is pretty certain to rob the whole community, especially the working classes, of far more than it robs the profiteers.

I do not argue that there is anything *morally or politically wrong*, with the collectivist theory that the individual belongs to the state, and not to himself; but I do say that *economically, it is deadly! It simply does not work* in practice; which is the worst sin that can be charged against any theory.

The reasons why it is bound to fail are simple, plain and perpetual. The first is, that it is physically impossible to *compel* a whole people, hundreds or thousands or millions of individual buyers and sellers, employers and employees, to obey any law, or bend to any state-regulation. It is sufficient to cite the daily failure of the laws against bootlegging, or prostitution, or motor-speeding, to stop these conspicuous crimes; though backed by ample force and very powerful public opinion. When it comes to regulating things that are *not* crimes, in public opinion, such as, for instance, a wage dispute between employer and employees, or the price demanded of the farmer by Henry Ford for a "flivver," in which to go joyriding with the family on Sundays, no government or bureau on earth can ever compel Ford to offer a single job, or make a single flivver; or compel any worker or farmer, to take one or buy the other, *unless he and Ford first agree. And if they do*, no government can stop their dealing with each other.

The next reason is, that any attempt at government interference between buyer and seller, or employer and employee, *at once does political mischief*. For one group is certain to be favored, and another hurt by governmental dictation. Both will promptly bring

political pressure to bear on government, for or against favoritism; and "the fat is forever in the fire!"

The third and most weighty reason of all is, that *big* business (which is the special target of collectivist attack) *cannot possibly grow big, unless it serves the community better than ever before*, and at very small profit,— *usually the smallest profit possible.* Consequently, there is nothing to gain, but on the contrary much to lose, by throwing a governmental monkey-wrench into the complex, powerful, high-speed machinery of trade; whose smooth control alone makes it possible to give that maximum service, at minimum cost, which alone *creates* big business.

It is the natural law of trade — economists call it "the law of diminishing returns," — that the less profit one takes, and the more he gives for his customers' money, per single sale, the more sales he actually makes, and the greater his aggregate gain from all sales. That law is the one great and eternal protector of the public from extortion *on the* part of big business, and even of monopoly. *For it does not pay to extort;* and it *does pay* to be liberal with your trade. If business grows so big that it challenges the jealousy of the collectivist, its very size proves *that it has already voluntarily done for the public*, especially the workingfolk, *precisely what collectivist government would force it to do!* "Regulation" could not possibly do more; but would be pretty sure to do less.

It is unnecessary to cite proofs of these assertions to you gentlemen; yet a few conspicuous proofs of my thesis may be worth while for less informed readers of this book. Here they are!

Henry Ford has become the richest man in the world, and in the shortest time, by selling the cheapest motor car, at the smallest profit, to the most people. Incidentally, he pays the highest wages.

"*Regulation*" *has left him entirely alone;* and competition either in price or service has never come near him. *He has always voluntarily cut prices first and deepest.* His business, probably the biggest in the world, is an absolute demonstration of the aforesaid "Law of Diminishing Returns."

The street railways, on the contrary, have been for thirty years and still are, "regulated" literally to death. They do a legitimate, very cheap and most useful public service; yet they have been and are very generally bankrupted by politics, all over the United States. The street-railway investors have lost their money, the public have largely lost their service; and the politicians are at deadlock with each other in Boston, New York, Chicago, and a lot of other cities as to what shall be done with these wrecked and crippled properties. In Detroit municipal ownership is a costly failure. The same blight of political "regulation," though not as yet *quite* so fatal, and fast passing away, has hung over the railway systems of the United States for twenty-five years. They are still between the devil of financing good service and their natural growth while meeting a new and perplexing motor bus and truck competition — and the deep-sea of collectivism in politics.

Still worse is the state of our mercantile marine. Politics, with its protective-tariff and navigation-laws, has utterly taken away from our ship-owners the freedom of the seas. Before the Civil-War the house-flags of the great American ship-owners flew alongside of "Old Glory" in every port of the seven seas. Today as I write (April 1925) the papers tell of a conference held in New York, called by the Chamber of Commerce of the United States and attended by Secretary of Commerce Hoover, and representatives of all the great shipping and export interests of the

country; to inaugurate "a comprehensive survey of the conditions affecting the American merchant-marine, *and of the steps necessary to establish it on a successful basis.*" Meantime, our rich government actually owns a vast fleet of ships, which cost the taxpayers three billion dollars; *three quarters of which lie rotting at anchor in our various ports* — helpless to meet foreign competition *under our own laws! Governed to death, that's all!*

But why go on "piling Pelion on Ossa" of evidence, that two or three hundred Congressmen, largely country lawyers, at Washington — or half as many Solons of narrower experience still, at our state capitols — can never master the endless complication of our great transportation businesses, or of hundreds of others, which they blindly attempt to "regulate," in the supposed interest, or at the organized dictation, of this or that class or group of voters. *You, gentlemen, are the only citizens of us all who know*, each for his own industry, the meaning of current conditions; who can guess the mischief of political disturbance thereof. *Can you not*, both as business men and as patriots, each in his own home region, where he is known and influential, *teach the voters*, that greatest liberty and least compulsion, political or commercial, is the best and surest foundation for social-justice and the general welfare?

Can you not show to your unthinking friends and neighbors, to your local editors and educators, *how plastered all over with promise and failure to perform are*, for instance, the Interstate Commerce Commission, the Federal Trade Commission, the United States Shipping Board, the Railway Labor Board, the Coal Commission, etc. at Washington; or your own state-railway commissions, public-utility commissions, cost-of-living commissions, etc.

etc. at home? Can you not convey to their minds *the meaning of things they themselves can see perfectly well;* for instance, that the Sherman Act and the Clayton Act, and all the state acts against monopoly and combination in restraint of trade, and all the prosecutions and dissolutions of great corporations under those acts, have *never, so far as their own pockets tell the story*, increased the abundance, or cheapened the cost by so much as a single cent, of beef, or oil, or steel, or milk, or coal, or clothing, or any other product that makes multi-millionaires? Nor have any of those millionaires been beggared, or has their wealth been divided amongst us all, by virtue of government action. Can you not wake the voters up to the fact, that they are no better off, and the millionaires no worse off, after all the fuss and feathers that have flown? But that meantime there has been a constant stench hanging about every contact of government with trade; whether it takes the shape of a tariff, favoring one capitalist more than another; an Adamson Law catering to the railway brotherhoods; a Teapot-Dome lease favoring an oil magnate; a railroad differential hurting the port of Boston; a subsidy to the ocean steamship corporations; or minimum prices for wheat, hogs and cotton guaranteed to the farmer! Can you not drive *that* fact home?

Can you not impart the simple truth, that "regulation" is and must be invariably a *class-proposition;* to benefit some citizens at the expense of others; *and that class-propositions are odious in a free country?*

In short, can you not preach the straight gospel of *free business, free labor, decentralization, least government?* Can you not convince your neighbors and, perhaps, some of yourselves, — that *unhindered*, free operation of the law of supply and demand is the one

eternal, impartial, and unfailing arbiter of social justice, whether between man and man, or class and class?

Finally, and far most important of all, can you not drive home to the conviction of the American voter, that state regulation of great industries necessarily involves the strongest temptation to bribery of the regulators by the regulated: inevitably followed by that corruption which is the worst misfortune of free government?

CHAPTER XVII

THE MORALITY OF CAPITALISM

I HAVE already quoted the Rt. Hon. Winston Spencer Churchill's astonished observation, that the capitalist class makes no move to reëstablish the *moral basis* of its own capitalism, though abundantly capable of defense. This was not a *random* remark of that able statesman; but a keen comment on a fact of great importance, especially here in America. For it is true, that rich men seem almost *ashamed* to be so; and let themselves be reviled as robbers of the people, almost without a word in self-defense.

This silence under attack seems to me, however, not so much their admission that riches are vile, as their recognition that asceticism and unselfishness as taught by Christ and the saints of all ages are noble; indeed so much nobler than riches, as to make the rich man rather ashamed to testify in his own justification.

As the descendant of a long line of preachers of the gospel, I was brought up to the splendor of Christ's words to the rich young man, "Go and sell all that thou hast; and give to the poor." No man of heart and conscience can feel any emotion but reverence for the saints and preachers of all ages and countries, ancient or modern — oriental or occidental — whose unselfish lives light up the pages of history in characters of fire. They will find worthy imitators so long as the race endures, thank God!

Yet, *when I ponder on the universal poverty sure to result*, if Christ's words quoted above were to become the universal rule of daily human conduct, I can but

question their *real* intent; at least as interpreted by our preachers.

For all history shows that what we call *selfish capitalism*, — that is, the *unified* control and use of heaped-up wealth, and the wise employment of many workers under one controlling head, in multiplying and cheapening all the products of the earth for human use — *is absolutely vital to human progress*. And the same convincing testimony shows that, by reason of the vast and fundamental natural differences between man and man, in mental and physical power, *a very few men can, while the multitude absolutely cannot*, initiate and play the useful part of the financiers and controllers of great industry.

And, lastly, history shows that the prime motive of capitalism — namely, *selfishness*, — merely reflects the conviction, *inborn in every living creature*, that *it is his natural right to keep, own and control whatever he himself has made, saved, thought out, bought or fought for;* a conviction which works out broadly not only for *justice* to the individual, but to the common good of all.

For *life* certainly had to *exist*, before laws were evolved to protect it. *Property* certainly had to *exist*, before the question of its ownership could arise. *Original production* had to determine *original ownership*, before laws recognizing right of ownership — that is, codes of justice or morals — could be framed to maintain that right. In short, wealth must come, and always did come, *first in point of time!* Law, morals, education, and even religion, at least as we practice them, *have always evolved upward as consequents*, not precedents of property. The evolution upward of humanity must have been (or so it seems to me in all reverence) the *intent* of the Creator of all things; in implanting deep in human nature the mighty motive

of selfishness, and the constructive assertion of the right of private-property.

Indeed, if one asks the rather ungracious question, *what have unselfish poverty and asceticism actually done for the greatest good of the greatest number*, or how far have they practically contributed to the evolution upward of the human race — which certainly began long before history and the dawn of civilization, and which still goes on,— one must reluctantly own that their usefulness, *as actual factors* in the progress of humanity, cannot be established nearly as well as that of capitalism. Doubtless, that is what Mr. Winston Churchill meant, by saying that capitalism is abundantly capable of defense.

Certainly, if humanity is to progress, its gain must be intellectual and spiritual as well as material. Yet how do we measure intellectual progress; if not by schools and universities? How do we measure spiritual progress; if not by churches and charities, setting up standards of character, ethics and morals? How do we measure even material progress; if not by railways, banks, crops, public health, general prosperity and rare poverty?

But when were universities and libraries, or churches and charities, or even common schools (to say nothing of railways or prosperity), built by poverty, or even by asceticism? Were they not, even in the middle ages, when the religious orders were capitalists, the creations of riches? Or else the fruit of taxation; a by-product as it were, of wealth, though stored by the many instead of the few?

Or where and how have entire communities steadily emerged from primitive barbarism; if not in capitalistic countries, together with and by means of the accumulation of great private fortunes? Compare, if you will, Darkest Africa today, where

there are no capitalists, no railways, banks or factories — or Soviet Russia, where a robber state has murdered them,— or India and China, where they are slowly evolving — or South America and South Eastern Europe, where they are coming along faster — with Germany, France or England; especially with our own fortunate America. Have not peace and plenty, respect for life, liberty and law, the virtues of toleration and of stable self-government — have not all these blessings, in all history, gone hand-in-hand with industry, thrift and wealth, both general and individual? That is to say, with capitalism?

Is it, therefore, going too far to assert, that *these happy conditions exist in our beloved country because of our wealth?* Do men naturally incline to plunder others when they have abundance themselves? Are not men more likely to lift the burdens of others when they themselves are strong? Do men share with others, when they themselves have nothing; or but the bare means of existence? Have the comparatively few rich men in the world ever had either principal or income enough to support, even in part, the poor around them, unless the latter help support themselves?

Do you think it would have benefited Israel very much (and *who* would have been the *buyers*) if all the rich men in Judea had obeyed Christ's injunction, to sell all they had and give to the poor? Would it help our own people very much today, if the Rockefeller fortune were divided among the 115 millions of us, say $5.00 apiece all around? *Does it do any man much good to give him something for nothing*? Or to encourage in him the feeling that *society* owes him a better living than *he* himself is willing to work and save for?

Would Mr. Rockefeller no longer be what Roose-

velt called a "malefactor of great wealth," if stripped of his fortune: and, on the other hand, would 115 million Americans become $5.00 criminals, if they got that much each of the Rockefeller pile? Are we Americans a nation of criminals, because we are a rich nation? Would it put the world on "Easy Street," if our total American wealth, estimated by the Census Bureau at 175 billions of dollars (not counting the land, which can not be moved or divided), were to be divided among the 1748 million people of the whole earth; say $100 apiece, all around?

No! To ask such questions is to answer them in the negative.

Riches, in themselves, cannot be immoral! The right of private property; the distinction between *mine* and *thine;* the recognition that *I* own something which I can keep, *or give away, as I choose; all these lie at* the very root of *charity* itself. As for industry and thrift, neither can *they* be immoral; though their mainspring is selfishness,— or as I prefer to call it, *self-support.* That motive tells me to take care for myself, and to carry my own weight — *but not to lie down on others. Which is certainly, in the end, unselfish.*

No matter what my kinsmen the preachers tell me, *the material must be in point of time the forerunner of the spiritual!* Man must first live his physical life, in this natural world, in order to ponder on the spiritual at all. He must even *express* the spiritual in *material* ways. *One of those material ways (and actually the most beneficent of all) is for the strong man to create and save wealth,— and so to use it as to give many weaker men the certainty of self support in honorable toil:* offering *not charity, but wages for work well done,*— always giving, as the Bible says, "full measure, pressed down, shaken together, and running over."

An open market, with abundant enterprise, a

square deal, and nothing more or less,— *these* are the foundations upon which to build wealth and, as Winston Spencer Churchill puts it, "to reëstablish the moral basis of capitalism."

Can you not, gentlemen, find it in your hearts to stand up like men in defense of your own daily work, the creation of wealth, as your own worthy contribution to human progress, moral as well as material?

CHAPTER XVIII

PRIVILEGE AND MONOPOLY

In educating the public to form sound political opinion, the first obstacle your great business associations will have to overcome is the distrust of big-business itself,— preached for more than a generation by blatant political demagogues, and more than "fifty-seven varieties" of altruists; of whom the most active and noisy are still with us, very much alive and going strong. Their best slogan is "Down with Monopoly, Privilege, and The Interests" — a slogan which is as honest, as those who shout it are dishonest.

Now, you gentlemen know far more than demagogues know about these three things; and the public will incline to believe *you*, if you will but stand up and tell the truth about them, which is:

(1) *That there never has been established in America one single actual effective monopoly*, by mere power of capital and organization — even for a short time! For monopoly *invariably breaks down and disintegrates* in a very short time,— usually within two years; or else has to *fight its way through irrepressible competition.*

(2) That *mere commanding position* in any trade (usually due to brains, energy, thrift, and long, friendly, and mutually profitable dealing with customers) is in no sense a "*privilege*," or rightly *odious;* but on the contrary is honorable, and the *just reward* of service rendered. To try to break down such "good-will," by laws framed for the benefit of *new-comers* in the same field, is not only gross *injustice*, but bad statesmanship; invariably hitting the public harder

than the "interest" aimed at, while helping the newcomer not at all.

(3) That the so-called "money power," or "Wall St. control" of banks and corporations, does not grow out of "*privilege*" established by the right of private-property, or by any statute; but is a purely democratic and voluntary vote of confidence in the great bankers and brokers of New York and their colleagues all over America, on the part of many million savers and investors — based upon years of honorable and profitable relations — that the said bankers and brokers will use bank-deposits and stock-proxies intrusted to them as wisely and honestly in the future as they have in the past. No legislation can, *or ought to*, destroy this confidence,— which is as purely personal as the popular trust in Abraham Lincoln or Calvin Coolidge; nor, if it did so, could the consequences be anything but financial panic, chaos and disaster to all concerned.

(4) As to the "interests" and the "invisible government" so fiercely denounced by politicians,— you gentlemen of the great associations might well give your pledge to the people, each man in his own town where he is known, *that you will heartily join in destroying all "sinister interests," and all "invisible government,"* if those who denounce them will but unmask them. They cannot forever hide behind a few corrupt politicians, local or national, if they are as numerous and active as alleged. All that is needed, is to smoke them out! But if they lie so *very* low, that their identity cannot even be *hinted at*, they certainly cannot do *much* mischief; and can safely be neglected!

(5) There are only four existing instances of "*privilege*," that is, four actual "interests," *recognized by law as part of our American public policy*, that I can think of, namely: *organized-labor; tariff pro-*

tected manufacture, mining and agriculture; certain public utilities; and last but not at all least — *some millions of non-taxpayers.*

Now — excepting a few public utilities, which *perhaps* do better service for the public *as controlled monopolies — I personally do not believe in privileged interests;* but *do* believe in open markets, with treatment of *all* citizens and interests *alike,* in a democracy. I venture therefore to give my crude opinions upon these four interests (with some diffidence, as I know I am treading very delicate ground) for the kindly consideration of my readers, especially of those who differ from me. I beg them to believe that I am not opinionated; and that I have no personal interest to subserve, in frankly stating my convictions, as every honest man should, for what they are worth. Here they are:

Organized Labor. I have discussed this privileged class in a former chapter at some length; but it was written a year ago. Since then, the Anthracite Coal Strike, now past and gone, has awakened the country, as never before, to the fact that (1) "*Labor*" *is organized to hold up the public* — not merely an employer here or there — and is as pitiless of public suffering as it is defiant of private right: (2) that there is no more chance of industrial peace, so long as three or four million working men are allowed to organize for nation-wide strikes in key industries, under such lawless and turbulent leaders as John L. Lewis, than there was of European peace, so long as five million Germans were left to organize for world-warfare, under the Kaiser. (3) That it is as futile as it is unfair, to expect Capital to protect the community against Labor, *while the law leaves it utterly helpless to protect itself* — and while, as the current strike plainly shows, it can avoid ruinous loss only by lying

still. (4) *That there never has been a strike of the coal-operators against the public;* but on the contrary they have always been glad to mine and sell all the anthracite the public would take, at reasonable prices, until the United Mine Workers came into being. *Labor has always done all the striking; capital has never done any!* Nevertheless, the politicians have enacted law after law to protect the public against capital; and the public has applauded them for doing so. (5) *That it is up to the people* to demand from the politicians laws *to protect the public* against that small privileged class of Americans, which arrogantly calls itself "Labor."

I say that *privileged* class, because a few years ago, by energetic class-politics, Organized Labor *forced* from Congress, and some of the State Legislatures, *a privilege* denied by law to the vast majority of Americans — *that of unpunished combination in restraint of trade — for the avowed unlawful purpose of fixing wages, and monopolizing employment!* Monopoly and coercion of the most ruthless order remain the open criminal purpose of Organized Labor.

But it seems to me inevitable, that American free government must put an early end to labor-organization for criminal purpose; or else sooner or later collapse ignominiously itself. *The law must treat labor and capital alike*, as to monopoly and coercion. Especially can there be no privileged class, in this country, set free "to strike," as Calvin Coolidge put it, "against the public safety." *All organization of labor for national or regional strike of whole industries, plainly directed against the people, should be unmistakably outlawed!* The simple way to do so, without forbidding working people to "bargain collectively" with their own employer, would be to outlaw all organization of labor, *for the purpose of striking, in-*

volving the employes of more than one employer in the same industry. Striking against the public welfare, by cutting off public supply of any necessary commodity or service, *should be done away with for all time.*

Once more let me repeat, that an exclusive privilege, forced from Congress by organized-labor, to conspire against the welfare and liberty of ten times its own number of unorganized Americans, means rotten Americanism, decadent democracy, and short-sighted labor-leadership. Enough of it!

Protection to American Industry. This is another *privilege;* but one religiously cherished, by a large part of our people, for several generations, as a part of our public policy. Let me respect it as such.

Its theory is that, inasmuch as we must spend so and so much money from day to day to maintain our government, it will cost us no more to raise part of it by laying taxes on imports, than to tax ourselves in any other way. As, however, the amount of the import tax must be added to the cost of the goods imported, and paid by the American users thereof, it must necessarily operate to raise the American market-price of imported goods by just that much. If then some American can produce similar goods *here at home*, for less than the foreign price, plus freight and the tariff, and if the difference is great enough to make it worth while, *he will* speedily do so. So shall we have a new American product; *and American industry will be more diversified. All of which is perfectly sound reasoning!*

But whether it would pay us better, as a nation, to produce here at home something which we cannot make quite as well or cheaply as they can in Europe or Japan, than it would to *buy* that thing where we can buy it cheapest, and pay for it with something we can produce cheaper than other countries can —

that is a practical question, which cannot be determined always in advance.

On general principles, *it should pay every nation to buy abroad what it cannot make to advantage at home; and sell abroad what it can make to advantage at home.* International trade and amity grow out of just such mutually profitable commerce; *and both are certainly good things!*

But, here comes in the vast factor of possible war, to warp the discussion. In a war with England, for instance, we might easily be cut off by the British navy from our supply of coffee, tea, sugar, rubber, etc.; just as in the World War we lost our supply of German dyes. Although we are now more nearly self-sufficing and self contained, in our diversified production, than is any other nation, yet we should in such a war surely suffer so much, that it has been our public policy for generations, to make our own people pay say a third more for certain home-made goods, than we could buy the same goods abroad for; in order to develop a domestic production independent of other countries, in war or in peace.

Under our resulting protective tariff system we have actually become the richest, most productive of the nations. Some of our soundest statesmen (notably President Coolidge) credit that prosperity largely to our protective tariff. For myself (though by no means informed enough to pronounce authoritatively upon its effect as to particular industries, among so many hundreds or thousands) I am very far from being convinced of our past benefit from the principle of protection; and am exceedingly doubtful of its future value.

For our foreign commerce has always been and is still too small a fraction of our whole commerce, to be the foundation of our permanent, *general* prosper-

ity, or adversity. Our imports, *under protection*, are less than 9 percent of our domestic production, according to the Dept. of Commerce reports: and as they must be limited to money-metals, works of art, durable-foods, raw-materials and manufactures (i.e.: to such things as will not spoil, and are compact enough to bear the cost of transportation) *the reader will readily see that at least* 85 *to* 90 *percent of what we Americans use must always be made here at home*, whatever our tariff may be.

This human life is made up of four activities; we eat food, wear clothing, live in houses, and move ourselves or other things about. Let us consider them broadly, as related to tariff protection.

We do import *a little* of the material for our food and clothing; but by far the *most* of it, and *all the work of preparing and distributing it*, must be done here at home. *All* of our house and other *building* of every kind must necessarily be carried on here at home,— and only a very little of the material therefor can be imported. *Most* of our moving of ourselves and other things about (which includes all farming, all manufacture, transportation and merchandizing) must be done here where we live. Even if we were to throw down our tariff-wall altogether,— although it is impossible to say how far our foreign trade would then grow and our domestic trade would then shrink — it does not seem feasible, in the nature of things, even to double the one or half the other. Foreign trade would still remain but a small fraction of our whole trade.

As the proverb says, " The tail cannot wag the dog." Our vast annual earnings and prosperity *cannot*, therefore, greatly depend on our tariff policy, if the latter be stable and consistent, whether for protection or free trade. It is as *impossible for us to*

lift ourselves by our own boot-straps, as to make ourselves rich, by paying ourselves say a third more than we would pay foreigners, for less than say a fifth of what we consume! On the contrary, *it is obvious that as a nation we should make money* by trading with the foreigner for that fifth, and saving the difference in cost of his cheaper goods; while making some profit on our cheaper goods, exported in payment for his.

That difference, now paid by us all to our *protected producers*, constitutes nevertheless their very genuine "privilege"; and as such is the subject of constant conflict in Congress, between those who benefit and those who lose by it. Its effect is (as it was intended to be by our public policy) to take money out of the pocket of the people and put it into that of a privileged few — in order to stimulate home manufacture. The enormous fortune of Andrew Carnegie is a conspicuous instance of that effect. Carnegie was able to take from the American users of steel probably an extra $5.00 profit (above the profit he naturally would have made, if there had been no tariff against the foreign steel maker), on every ton of his enormous output during his forty years of steel making. All that steel was used here at home; but I *cannot reason myself into the belief* that the railroads and manufacturers of this country ever used a single additional ton of steel, *because of this extra cost of $5.00 paid him, more* than they would have used at $5.00 per ton less. I cannot convince myself *that our tariff created our steel consumption.* More likely, it has held it back; but it undoubtedly helped to make Carnegie's fortune, and finance the growth of our enormous steel plants and production.

Just now the cheapest pig iron and steel is made in Belgium, by reason of paying Belgian labor in depreciated paper money. The market there, says this

week's *Iron Age* (May 14, 1925, figured in dollars) is $17.18 per ton for pig-iron, and $25.41 for steel-billets. The English makers complain bitterly because they are being undersold. Their own lowest price for billets is $33.80. Our American price for billets is $35.50. (The steel trade is not booming here, as I write.) As there is a duty on billets of at least $8.00 a ton, and ocean freight of say $3.00 to to $4.00 on foreign steel, it is clear that Belgian billets cannot be laid down in New York for less than $36.00 to $37.00 per ton. Evidently, then, American makers are charging American consumers just enough under Belgian price, *plus* freight and duty, to shut out Belgian steel. *Americans are competing with each other*, and the English are nowhere.

American pig iron sells for $18.50 at "valley furnaces." Belgian pig sells at furnace at about $17.18; which the *Iron Age* says is so near cost that the furnaces are not eager for business. That cost, plus present duty of 75 cents a ton and say $3.25 ocean freight, would bring cost of Belgian pig to over $21.00 at New York. Here again, it is evident *that American makers compete with each other*; making prices just low enough to shut out the cheap Belgian iron.

Now, I cite these figures, because (if the *Iron Age* correctly says that $17.18 is *cost* of Belgian pig under their present abnormal circumstances) the *cost* of American pig *selling* at $18.50 must under our present fairly normal conditions, *be as low as, or even lower than that of Belgian metal.*

I have no doubt that producing costs in the American steel trade, with its enormous volumes and modern technical equipment, are (and have been for a long time) so low that it has been abundantly protected by rail and ocean freight; and that American makers

have been able to charge, and to take, as extra or non-competitive profit out of the pocket of the American people, a large part of an *unnecessarily high* tariff-protection. Andrew Carnegie told me himself in 1875, that his properties were reasonably worth $2,500,000. He sold the same properties 26 years later to the Steel Corporation for $450,000,000; *and they were worth it!* He made $41,000,000 net profit, the year before!

It may well be that for say thirty years Carnegie had reaped an extra profit of at least $5.00 a ton, for which neither the American people nor the American government got anything whatever.

I do not ignore the powerful argument (if true) that American high wages and standards of living are due to our protective tariff against the competition of European pauper-labor goods; and it *is* true that just now, in Belgium, France and Italy, as it was true in Germany until last year, that war-inflation of paper currency *has* pauperized their labor. Those countries will get the competitive advantage due to that cause for a few years, until their impossible government-finance forces them back to the gold standard; as it inevitably will before long. For the moment we may well hesitate to reduce our tariffs. But when their currencies get back to normal values, as before the war, I should not greatly fear that the competition of "pauper-labor" would materially affect American "real-wages," or standards of living.

I had fifteen years experience of that very competition, from 1894 to 1909; in manufacturing typewriters in Chicago, and selling half our output abroad, in competition with the leading American machines, and with cheap German machines, made by the leading sewing-machine and bicycle manufacturers of Germany. I found we could pay freights

and a moderate import duty, and still capture our share of the trade; though we were a small concern, and the larger American makers did much better. American automatic machinery, and standardized repetitive production, *offset* the pauper-labor, in unit cost of typewriters.

There were 65 American manufacturers in the American Chamber of Commerce at Berlin in the year 1898; every one of whom had much the same experience. The German government that year imposed a prohibitive high tariff on American meats and fruits, ostensibly because of trichinae in American pork, and San Jose Scale on American apples — but really, as I learned in Berlin, in retaliation for our 30 to 40 percent tariff on German goods. A few of the American concerns built factories over there; and were sorry for it when the war came. Most of them did not.

At that time I could see plainly, and still see, that our high wages are due to high productivity, not high tariffs. That is more than ever evident today; witness Henry Ford's wage-scales, and wages in our *unprotected* industries, which are say three quarters of all our industries. I then shared with those members of the American Chamber of Commerce at Berlin whom I chanced to meet the conviction that American standards and methods in quantity-production could capture a fair share of the world trade everywhere, without seriously affecting American wages. Today American big-business is pretty generally committed, as it was *not* 25 years ago, to the conclusion that *high wages*, and a contented, prosperous working force, bring *low unit-cost* of output.

Friends in the N. E. textile industries tell me that their mills could never meet German and English competition, without protection, because of

wages. I do not know enough of textiles to argue the point. Competition with the cheap labor of India, China and Japan, might well drive our mills out of the production of the coarser fabrics. But *in general* we have the natural and mechanical resources, manpower and brains to meet all comers, of that I am sure, whether in agriculture or manufacture, *without protection;* if only it is not taken away too abruptly.

Let me remark in leaving this subject, that I myself care little one way or the other about the vexed question of Protection vs. Free Trade. I personally do not believe that it "cuts much ice" in American progress and prosperity. Its effect seems to me vastly overestimated; *except upon our politics!*

The fundamental evil, as a matter of principle in democracy, of government's going out of its legitimate sphere of law and order, justice and public service *for the whole community*, to favor the money-interest of this or that class, of manufacturers, laborers or farmers, against the rest of us, is that the granting of privilege poisons politics with selfish greed; bribes the citizen to vote, not work, for a living; and finally loads on government (already overloaded) the burden of settling economic disputes that are perfectly capable of settling themselves.

Our democracy should cut out all privilege, for the sake of sound and simple Americanism.

I have not included patents as privileges: because they are not gifts of government, but are the earned rewards of great service done the people. Our immense American prosperity is largely due to the stimulus of our patent laws.

CHAPTER XIX

TARIFFS AND SUBSIDIES

THERE is, however, this to be said for protective tariffs; that they do fortify the country imposing them against war, *enormously increase the accumulation of capital*, and enrich the capitalists: *also that the capitalists know best how to use capital, in productive industry*. Such wonderful plants and organizations as Carnegie's, and those of his successor, the Steel Corporation, are of priceless value to the country and its laboring people. *If therefore they grew up and flourished only under tariff protection*, I should accept protection whole-heartedly as a blessing for us all. At present, for instance, we are making 44,000,000 tons of steel per annum. If we pay the steel men $5.00 a ton extra profit, or $220,000,000 a year extra, by the reason of the tariff (which is only $2.00 apiece per annum for our 110,000,000 people) it is probably far better for us, as a nation, *unconsciously to save* $2.00 each, for the steel men to put back into American industry, than for us each and all *to squander* the same amount, quite as unconsciously, in daily cost of living. As a nation we are doubtless that much better off,—that is, in material wealth.

But does industry flourish only under "protection"? Are there not (still taking the material view-point) just as mighty industries and as useful in war emergency — for instance, our vast oil and automobile interests, and our great meat packing industry — which have as quickly grown to world-wide greatness, *without help of protection:* and under no stimulus but that of unfettered individual liberty and energy? Great as our progress has been under protection, wise as has

been the use of their extra profits made by our captains of *protected* industry, I am not convinced that our progress might not have been greater yet, under absolute free trade! Our steel mills probably need no protection today against the mills of all the world; and I heard Mr. Lewis Nixon, the head of the Shipbuilding Trust, say at a Reciprocity Convention in Washington, twenty years ago, that his concern would gladly compete for the shipbuilding trade of the world, if our protective tariff on shipbuilding materials were to be taken off. Here we are, the richest and most competent producers in the world, largely shut out from supplying the open markets of the world, by the fact that we load our prices for raw-material with tariffs and our labor with union-conditions that force us to keep our goods at home. In the same speech, Mr. Nixon spoke for the operators of our American ocean S. S. Lines,— saying that if *they* were free to buy ships in the world-market, without the burden of our tariff, and man them without the burden of our navigation-laws, they too would sail the seas of the world as their grandfathers and great grandfathers did, down to sixty years ago.

The Englishmen, the Norwegians, the Germans and the Japanese sail the seven seas today, and make money at it. Why should we tie *our* shipmasters to our coastwise-trade, and shut them out of the far larger world trade, *merely to make our own shippers pay extra for transportation, between our own American ports?*

No; if we ever did need "protection for infant industries," we are surely now grown up, and need no more wet-nurses. We are the richest nation on earth, in natural resources and accumulated capital; and fully equal, if not superior, in commercial genius to all competitors. We no more need *permanent tariff*

protection against older, weaker and war-impoverished nations, than a giant needs a policeman to protect him against a small boy. On the contrary *we* can best afford of all the world to trade, *both ways*, import and export, with the world.

Nevertheless, pray do not take me for a Democratic tariff-smasher — or one of those who would make free-trade a political issue. We have for years put our industries up on tariff-stilts; which if *suddenly* knocked out from under would give many of them a bad fall. Far be it from me to urge so stupid a course. *It would be neither fair nor wise to jolt them thus!* But I have no doubt whatever that, if we should now definitely adopt the principle of *gradual abandonment* of our protective-tariff (which seems to average around 30 percent ad valorem) beginning, after two or three years notice, to knock off one to two percent of the 30 every year — until in fifteen or twenty years it were all gone, and our industries had put their stout legs down on the solid ground of modern production and competition — I have no doubt, I say, that the country would not only feel no economic shock whatever; but our nation would enormously grow in commerce, prosperity and popularity, with all mankind.

American farm and forest products have but recently been protected by a tariff on imports, for the simple reason that we were exporters, not importers, of both, broadly speaking, up to the close of the World-War. Of late we have put import taxes on grain, wood-pulp, raw sugar, etc., because our farm bloc politicians insist that the farmers have as good a right to dip into the pockets of their fellow citizens, for a little higher price for what they have to sell, as the steel or textile manufacturers have; *which is perfectly true*. If anyone is to be "protected," everybody ought to be, in a free country.

Of course the flour-mill-men are raising a rather feeble squeal, because they cannot buy Canadian hard-wheat as cheap as of old; and the newspaper men also squeal because they have to pay more for Canadian wood-pulp; and the sugar refiners squeal because we do not raise sugar enough to go around, and they must now pay a high duty on imported cane sugars — which are cheaper than our cane, and sweeter than our beet-sugar, too. But — you cannot please *everybody*, by any conceivable system of favoring *somebody;* and most of us Americans grin amiably, and pay more for our flour and sugar and daily papers — with the very vaguest idea, or none at all, of the reasons why. Meantime, Canada takes a bigger share of the wheat and pulp-wood exports, and Cuba and Java of the sugar exports of the world; and our farmers kick as hard as ever; while the farmer-labor bloc in Congress, not satisfied with taking a tariff bite out of the public, are clamoring for a transportation bite out of the railroads, by way of lower freights on farm-products. Perhaps, like those hasty drivers who, in Yankee parlance, "turn corners without knowin' whar their hind-wheels are a-goin'," the farm-labor bloc attacks the whole complex structure of rail-rates without stopping to think; but you gentlemen can see (*as a few of the farm-bloc leaders openly say*) that the latter look forward to government ownership and operation of the roads, disastrous as that has already been, and to government support of the produce market.

It is hardly necessary to suggest to your great associations what your attitude and share in educating the public should be, as to this utterly selfish and short-sighted program of the radical proponents of more "privilege."

The curse of our tariff policy has been its *instability* — the perpetual temptation both to tariff profiteers

and anti-profiteers, not to mention politicians, to make a political issue out of a purely economic problem. The United States are too great in natural resource, man-power, and consequent production, to be *much* affected by high or low duties upon an unimportant fraction of their total consumption. They go on about as usual, under one or the other (after a year or so of recovery from the paralysis of impending shock and readjustment) when a change of party administration and tariff policy comes about. As you business men well know, stability is the solid foundation on which to build all trade, especially foreign trade. *Inasmuch as protective tariffs*, precisely because they favor a privileged class, *are eternally bound to be the target of political attack, and change, and instability*, I urge you able men of all trades (but few of them protected), seriously to consider the wisdom of adopting, *as a stable American policy*, the gradual and easy reduction, without unfair or violent shock to general industry, *and final abolition*, suggested above, *of all protective tariffs;* even though the event should prove that an occasional industry can be carried on better in some other country than our own. For the great mass of our trade could not help benefiting enormously!

To be sure, the hazards of war are not yet a thing of the past — though Locarno and the World Court glimpse that way; but as we never tried to grow tea and coffee here at home, because the British navy might some day nip off our supply, so we might profitably take our chances, *in the long run*, on Cornish tin and Russian manganese, say nothing of German chemicals and textiles. We lived thro' the World War without German dyes and with shortage of Chilian nitrates; and Germany likewise lived through, *though short of nearly everything from*

outside. The war-argument for high tariffs is not so conclusive as it once was.

There remains, of course, the value of tariffs as a source of national revenue; which can be discussed to better advantage in treating of our multiplex plague of taxation.

All I have said about "privilege," especially about government taking money out of the pockets of us all for the benefit of certain favored groups, such as "protected" capital, "organized" labor, "non-taxpayers," etc., applies with equal force to all sorts of "subsidies"; ship-subsidies, road-subsidies, school-subsidies, maternity-subsidies, etc. There are three main objections to subsidies. They signify bad morals, bad economics, bad politics.

To amplify these three a little, I would say; first, that *it is not right*, to tax away my money, without my consent, and use it to make another citizen's business profitable; second, *it is not sound sense*, to put an industry up on stilts of subsidy or privilege, to tumble hard to solid earth or rock whenever the stilts are knocked from under it by changing politics; third, it *is not good citizenship* to create an issue in politics which has no business there — that of those benefited by subsidy against their competitors not benefited; or worse yet of the private interest against the public interest — for either inevitably leads to political corruption.

The argument for subsidies is always the same — by wise assistance of taxation, to sustain some private commercial service more or less useful to the entire community which will not sustain itself. The answer to this argument — barring of course the disturbing contingency of war — is that if a private commercial service will not sustain itself, that is conclusive proof that it is *not* useful or needed. For

if it were, someone would supply it, and the public would cheerfully pay the price for it.

But then comes the rejoinder (from the ship-subsidy seekers, for instance) that *foreign* ship owners are ready to supply a merchant marine, and American shippers are ready to pay freights; but that American ship-owners are so handicapped by American tariffs favoring American steel, and American navigation-laws favoring American sailors, that freight rates which pay foreign steamship lines well would simply bankrupt American lines. *All of which is perfectly true;* and the subsidy seekers *are perfectly right* in saying to Congress, that as long as it robs the tax payers to benefit the steel men and the sailors, it must rob them yet more for the shipowners benefit.

But, gentlemen of the great associations, nobody knows better than yourselves, that two wrongs, or twenty for that matter, do not make one right; and that there can be no such thing as *lasting privilege* upon the open sea, where competition is free to all the world. Do you not, on reflection, agree with me that the natural, simple, easy way to bring back the American merchant marine, and the American sailor too, to their once proud plowing of the seven seas, is *not to subsidize them*, but to take away the throttling hand of our protective tariff and navigation laws, and to give American ship-builders and owners a fair field and no favor, as their grandfathers had; and see them go after and get their share of the world-trade, as their grandfathers did; *without putting their hands in your pocket or mine*, by way of subsidies from the U. S. Treasury!

CHAPTER XX

PRIVILEGED UTILITIES. NON-TAXPAYERS

Let me continue consideration of the four privileged groups named above.

Public Utilities. That is, the great corporations engaged in quasi-public service, of transportation, communication, supply of water, gas, electric current, etc.; which differ from the services of supply of food, clothing, and other goods, in that the railways, mains and other property of the former, are so spread out over and between cities and towns, as to require special intervention and authority of government, to enable them to exist and function at all.

A railroad, for instance, badly needed by an entire region, could easily be blocked by a single owner of ground lying across its proposed line, if there were no law of eminent domain; under which the railway can go to the courts for a decree of condemnation, compelling the owner to sell to it a "right of way" across his land, at a reasonable price, *for the public good*, that the road may be built.

Or, a gas company, badly needed by a town, can reach all its houses only by laying mains in the public streets. It is true that the latter were originally opened and dedicated to public use, mainly by the original owners of the land, for this very purpose of making all abutting lots accessible in every useful way; yet it is necessary for the common convenience that their use and control should be determined by public authority. Therefore the builders of a gas plant must apply to local government, for a franchise to use the streets. So must street railway builders, operators of omnibus lines, etc.

Meantime, as it is difficult and often impossible to lay more than one set of tracks, mains, etc., in the same street, the holder of the first franchise granted often gets by virtue of it a practical monopoly of that business along that street; although in a free country always "monopolies are odious." Therefore it has become the universal rule for state and local government to retain, when granting public-utility franchises, more or less control of prices and conditions for service, to be binding on all concerned without discrimination.

It is, nevertheless, my personal conviction, that this retention of control of the complex questions of finance and technical operation often arising in the course of modern growth and development of service, in the hands of politicians usually ignorant of both, is a very serious business blunder; even though it is true that an occasional short-sighted and narrow-minded management of a public utility might for a time take advantage of its monopoly to overcharge and underserve the public. I am very sure that in the long run, as to that particular utility; and all the time, as to the great majority of utilities; the well-known "law of diminishing returns" — under which *most service* at *least cost* invariably returns *greatest profit* to owners of the utility — would act to protect the public far better than any governmental control ever actually has done.

Certainly *such has been the case*, again and again of recent years, with telephone, gas and electric companies in our great cities — such as Boston, New York and Chicago, and hundreds of smaller towns; where voluntary improvement in service, and reduction in service charges, has so increased both profits and popularity of those utilities, that the public is buying into their common-stocks, right and left, as

good investments. There could be no more convincing proof of my sound reasoning, than this investment demand affords; and no stronger bulwark of the future of those properties. *Government regulation meantime sits idly by*, with folded hands; assenting to, but not initiating, far less compelling, such wise liberality.

Precisely contrary has been the record of other government-regulated utilities, namely, the steam and trolley railways; which have been bankrupted by the *mounting* of *uncontrolled expenses* during the World-War, against the stand-still, *or even forced lowering*, of *controlled earnings*. As I have said elsewhere, broadly speaking, the whole street-railway industry has been forced by government control into ruinous reorganization; and most steam-railways have been trembling along the verge thereof, since 1917; with just now only the dawning of hope that the heavy hand of government may relax its grip.

I am aware that the great majority of our leading captains of industry and finance have come, ostensibly at least, to accept government regulation of all big business as democratic, and even *advisable;* perhaps because it must, in practice, be carried out by comparatively small, permanent commissions — with which it is possible for the aforesaid captains to establish some continuity of contact and purpose — instead of having to gamble on the slants and vagaries of changeable and unwieldy bodies of several hundred legislators, in forty-eight different states; and of smaller but just as uncertain bodies of aldermen, etc., in several hundred cities and towns. But it seems to me a case of acceptance of the devil rather than the deep sea, that's all. It is always possible to compromise with the devil; but not with the deep sea. Moreover, there always comes a time when there

is no longer room for compromise; and one must sink or swim.

In short, government-control of public utilities *does not work in practice* either to hurt "the interests," or to help the "people"; or even to quiet the suspicions of the latter, so carefully roused by demagogues. On the contrary, it is a constant source of political agitation, and cause of political corruption. My war-cry therefore is "*Free Business*"! and the adjustment of relations between buyer and seller, in public-service as in other dealings, along the lines of least resistance, by mutual agreement, individual or collective, as suits those concerned; *entirely without political intervention!*

Non-Taxpayers. It has long been the game of our politicians, national and local, to play politics with taxation; by taxing the rich, and *seeming not to tax* the poor. The working man, for instance, never receives a tax-bill on the clothes he wears, or the food he eats, or the rooms he rents. He thinks he pays no taxes; and that he belongs, thanks to his voluble political humbuggers, to the privileged class of *non-taxpayers* mentioned above. Yet there is always a $5. or $10. protective-tariff tax paid by him on every suit of clothes and overcoat he buys; and of 2 cents out of every 8 cents he pays for a pound of sugar; and a city tax of say $3. included in every $10. he pays his landlord for a months rent. First and last, *the bulk of all taxes comes home to and is paid by each and all of us* as part of and in proportion to what we spend for our livings.

According to that recognized authority, the Industrial Conference Board, national, state and local taxes came to over $91. per capita in 1923; so that the working-man who supported an average family, of $3\frac{1}{2}$ persons, paid that year some $320. in *hidden* taxes!

Yet, unless he owned a little house or a few bonds, *he never saw a tax-bill;* or knew how the tax layers were soaking *him.* That is one of the meanest tricks of the politicians; to stick the laboring man for heavy taxes, but *fool* him into thinking that the rich man pays them all.

I have spoken of a privileged class of non-taxpapers, as something to be denounced; but it is rather to be despised because it is a fake — a class of mere *dreamers* who imagine they go scot-free. Which brings me to the core of my preachment to you men of the great associations, namely, THE TRUE PRINCIPLES OF TAXATION, which you before all others should advocate. Let us study them.

Adam Smith's well known four Canons of Taxation were as follows:

1. That of Equality. That each man should pay according to his ability, that is in proportion to his income.
2. That of Certainty. Taxation should be known beforehand, calculable, not arbitrary.
3. That of Convenience. Time and mode should be least hard on the taxpayer.
4. That of Economy. Taxation should not cost the taxpayers or the community materially more than it yields to the government.

But Adam Smith seems to me to have omitted the most important principle of all, *for a democracy*—he wrote in the 18th Century, when taxation was the right of the Sovereign, and before the advent of popular representative government, and taxation, as we know them — the principle of *publicity;* that taxation should so be laid, as to make every voter keenly and continuously *aware of* its burden, and of its rise and fall; in order to end the existing indifference of the average voter to the vital matter of its

amount and make its reasonable cost a live and continuing issue at every election.

I cannot too often repeat in this connection that most of the dead-and-gone governments in history have split on the rock of governmental corruption, extravagance, and taxation. The easy money to be made in the business of governing — its constant temptation to rotten politics — is the weak spot today in democracy as it always was in autocracy. No body of citizens is so well qualified as yourselves, gentlemen, to lay bare and hold continually before the eyes of American voters the naked body, so to speak, of our public finance. Shall it be lean and clean, healthy, fair and strong, a fit teammate for our industry; or as it is now, fat and filthy, full of festering sores and stenches of corruption, a drag upon and typhoid carrier amongst us? What think you is the remedy?

There is a vast literature on the subject of taxation, in many languages, which my life has been far too busy, and is now far too short, to let me so much as skim the surface of. But one thing comes clearly home to me, as it must have to every one of you, namely; that the effort of the tax gatherers, here and in all countries, is toward confusion worse confounded — *in always creating new taxing bodies, and seeking new and various modes of taxation, while keeping alive all the old ones! Always away from clarity and simplicity!*

You will agree with me, that with such confusion, it is entirely impossible to keep the individual voter informed of his tax-burden and its rise and fall, and make it an issue in politics. I defy any one of you gentlemen, well-informed as you are, offhand to tell me what he himself actually paid last year in taxes, local and national, open and hidden, direct and

indirect; or how their total varied from year to year during the last five years. It is perfectly safe for me to say that you have no idea, or else the vaguest one, *what your taxes cost you*, and *what you got for them;* or what they *ought* to have cost, and what you *ought* to have got for them.

It is true that until recently our taxes in this fortunate country were hardly big enough to worry about; *but now the time has fully come*, when for our own sake, our country's sake, and indeed "to make the world safe for democracy" itself, we Americans must devise a more impartial, *and a more visible* system of taxation, that does not make-believe favor anybody, rich or poor. There should be *no* non-taxpayers, real or imaginary.

CHAPTER XXI

VISIBLE UNIVERSAL TAXATION NEEDED

THE first of Adam Smith's four canons seems to me utterly wrong in principle,— despite its general acceptance for more than a hundred years, — and it has certainly been mischievous in practice. *It is* the so-called Canon of Equality, or taxation *according to ability to pay;* namely, upon property or income. If a man has nothing, if he manages, wastefully or otherwise, to spend all he earns, so as never to accumulate any taxable property, or possess any certain income, under Adam Smith's 1st Canon he should pay nothing in taxation.

Nevertheless he gets, for himself and family, all the benefits of government, public service, etc., that those who pay taxes get; except perhaps that of protection of property, of which he has none. All that relate to protection of life, health, education, liberty, etc., the poor man enjoys quite as much of, as the rich man, if not more; for his family is likely to be bigger than the rich man's. Furthermore, as the rich can hardly constitute more than a tenth of the population, at least nine-tenth of the expenditures of *local* government must be paid out in the direct service of the poor; while say three-fourths of the cost of *national* government must be spent in their indirect service, as they are the majority of their nation. Certainly the main cost of national government, viz. the national defense, is the special concern of the poor; who in all history have had to do the fighting in the field for their country. As to cost of local government, most of the crime that calls for police is committed by men who have little or nothing.

Such men fill most of our jails, asylums and public hospitals; use most of our streets, water supply, etc.; cast most of our votes, and elect most of our officers of government. Their children fill most of our public schools and state universities. All this simply *because there are so many more of them* than of the rich. But there is no reason in justice or common sense, why those who get the bulk of the benefit of government should not pay the bulk of its cost, in the shape of taxation; and, as I have said before, by reason of its redistribution *they actually do pay it.*

But our taxation is so carefully camouflaged by our politicians (being laid as it is mainly on property, imports, profits and incomes, none of which directly concern the poor) *that the latter do not know* — and worse yet *do not care a rap—about taxation.* The Democrats can steal New York and Boston blind — the Republicans can rob Philadelphia — first one and then the other can plunder Chicago — by corruption of government and excessive taxation; and the poor of those cities will pay the major part of the tax-bills in the long run; *but they never know it,* and they never, though they constitute the vast majority of the voters, get busy to punish their robbers at the polls. Neither they nor the rest of us will ever stop tax-thievery, so long as *they* do not see it; *and they never will see it, so long as taxation is hidden* — that is, so long as it is laid primarily on property, imports, incomes, etc., which they have none of; and is only secondarily and gradually passed along on to themselves, buried in their rents, tailor bills, and general cost of living. Adam Smith simply was not up to the tricks of modern politics when he wrote his Canons, that's all! *Otherwise he certainly would have added a fifth Canon,* that *of Publicity,* as already suggested, setting forth *that taxation must be visible;*

and a sixth, that it must be universal, sparing no voter.

Now there is one modern, entirely just, exceedingly simple and understandable, and relentlessly *universal and visible mode of taxation*, which is attracting the notice of the taxgatherers; though only as a new means to get more cash out of the taxpayers, added to all the old ones. *I refer to sales-taxation*; which has been imposed in a more or less limited way by our own and many foreign governments since the World-War. In my judgment its final form, *that of taxation on retail sales for final consumption only*, should become the sole method of taxation; and should take the place of all and singular, the multitudinous and perplexing taxes, which now defy the comprehension and escape the scrutiny of all taxpayers and voters, rich or poor. I urge that method upon your serious consideration, gentlemen; and here are my reasons for so doing:

(1) *Visibility*. My first and paramount reason is, that retail sales taxation would force upon the constant daily attention of every voter, man or woman, the relation of cost of government to cost of living. Every voter would be *compelled* to know how much of his daily earnings his government is taking out of his pocket, on pretense of spending it for his benefit; and he could not help comparing the amount taken with the actual benefit received in return. For instance, every good American who has bought a soft-drink, or a theatre-ticket, or a patent-medicine, or a sleeping-car berth, during the last few years, was keenly aware of, and more or less irritated by, the war-tax of 10 percent added to the price thereof. Moreover, he now knows, if he stops to think, how little trouble it was to assess and pay that war-tax. There arose no question about taxable value. It

was always the price paid for the thing bought. There was no cost of assessment and collection. The salesman simply added 10 percent to the sales-check and the buyer paid it as part of the purchase price, without the least extra friction or labor. From time to time, of course, the seller had to report his sales to government, and pay over the 10 percent on them all. But that was easy. Ofttimes the tax paid was rung up by separate key on the cash-register, to show for and total itself; and it might easily always be so handled.

As all retail sales are made today (excepting perhaps by newsboys and push-cart peddlers) either on sales-ticket for charge items, or cash-register for cash-items, the machinery is already provided for the simple addition of a fixed tax-percentage upon all retail sales for final consumption; that percentage to be the sum of three smaller percentages — one for the national, one for the state, and one for the local tax-rate.

These percentages would of course be made up and levied respectively by Congress, the state legislatures, and the local councils, when making up their annual budgets and passing their annual appropriations; and would carry on through the ensuing fiscal year. They would vary from budget to budget, as public expenditures vary. But meanwhile, being added several times every day to the purchases of every voter, they would become better known to him or her, I imagine, than any other figures in the arithmetic. Their rise or fall, from budget to budget, would become a theme of universal discussion; and any material decrease or increase would be seized upon by the political party in or out of power, for its value at the next election.

I think you will agree with me, gentlemen, that just such discussion is precisely what we ought to

have, in order "to make the world safe for democracy." A little better political-engineering can give us *visibility* and *publicity* of taxation. *Then we can have responsibility of the tax-layers at the polls.*

(2) *Justice.* My second reason is, *fair distribution* of taxation. I have said before, that each citizen who benefits by government, as everyone does, should pay his fair share of its cost, be he rich or poor. *But what is his fair share?* A question not so important in fact — for taxes eventually distribute themselves in cost of living — but one everlastingly harped on by demagogues and politicians!

Adam Smith, as it seems to me wrongly, would tax every man according to his ability to pay — namely, according to his property or income. Most governments actually do so tax him; that is, on all above a certain exempted minimum, intended to relieve the so-called *poor* from direct taxation. This practice originated, I think, under monarchy. As the Sovereign owned all his subjects, and their property, he had the royal right to tax, and to discriminate between them, as he chose; and to seize and sell for taxes any mans property if he failed to pay his arbitrary assessment. Clearly, Adam Smith wrote in the days of monarchy; before representative government and taxation, as we know them, had come to be. The poor were exempted from taxation for the practical reason, I imagine, that it would have stirred them up to revolution, to seize and sell their little all, for taxes that most of them could not possibly pay. Policy and humanity concurred in exempting them.

Moreover, in Adam Smith's day the man who paid no taxes had no vote; and could not join in electing the Parliament that laid taxes. So it was reasonable to exempt men, who had nothing to say about taxes, from the obligation to pay them. But *that* reason has

now entirely disappeared, here and in many other countries. Universal suffrage has come in; and the men who lay our taxes are elected largely by the vote of those who pay, or think they pay, none at all, by reason of that old habit of exemption of the poor. *Is this not a rank injustice, and moreover a patent political blunder — this letting many million voters feel that taxation, whether wise or foolish, is no concern of theirs!*

I think you will agree with me, gentlemen, if you will stop to think it over, that every man, rich or poor, ought in fairness and common sense to be as liberal in his public as in his private expenses; that is, he should contribute to the common cost of government in proportion to his private cost of living, for himself and family. I hope further to convince you, that he should *not be further taxed*, because of his ability to pay, as Adam Smith taught, *upon his entire property or income*. It is true that a man's cost of living often is, and always ought to be, less than his income. But that is no reason for taxing him on what he saves.

It is a *bad* principle to discourage thrift, by taxing away part of a man's savings, whether large or small. On the other hand, it is a *sound* principle, to discourage extravagance; by adding taxation to every dollar spent. As I have said already, the prosperity and welfare of the whole community is based, first, last and all the time, upon the accumulation and wise use of savings or capital; which is always the work of the individual citizen, and has never in all history been that of government. It is an economic and political blunder, forcibly to take the savings of the thrifty, and use them to pay the just taxes of the wasteful.

The argument for taxing expenditures rather than

income goes, however, much farther back than the mere encouragement of thrift, and penalizing of extravagance, into the realm of *fairness*. We establish government in order that all may enjoy life and property in peace and freedom. *But how do we enjoy our property?* The answer is, *only by using and consuming it.* We get nothing out of food, unless we eat it; or of clothing unless we wear it; or of cigars unless we smoke them; or motor cars unless we drive and wear them out. Our farming, mining, forestry, manufacturing, transportation, distribution — in short all our work — is but preparatory, and is done in order finally to put finished things into our hands, that we may use, consume, and *enjoy* them. What we *deny* ourselves, and "lay up for a rainy day," or put to work as "capital" for more abundant production, *we do not enjoy!* If we die, we leave it behind us, and while we live our self-denial comes hard, and requires distinct effort to keep on with.

What, on the other hand, *we do enjoy*, and what our governments enable us to have and use in peace and freedom, *is what we spend*, on our own and family living. It is, moreover, the best practical measure of what we respectively get out of government, and should pay for in taxes. If one of us supports a family of five, and another of three, the first family is likely to use the public streets, water, schools, hospitals, charities, etc., and to disturb the public peace, etc., more than the second family, in the ratio of five to three; and should pay taxes accordingly. As to the bearing of poverty on taxation, the rich family of five may spend ten times as much in living as the poor family of five; but the chances are that, while it may, on foot or its motor-car, saddle-horses, etc., use the public streets and water supply considerably more, it will also use the public schools, hospi-

tals, charities, libraries, parks, etc. far less than the poor family. I think you gentlemen will agree with me, that the rich family can seldom get ten times the good out of government that the poor family gets; *so that taxation on the basis of cost of living would more than fairly tax the rich.* As between rich taxpayer and poor taxpayer, no two alike in luck or circumstance, it seems to me, that the *most reasonable* measure of what each can and ought to spend for public purposes, is what he spends for his own private purposes; that is, the sum of his retail purchases for his own and family use. *That is what he gets out of life and government.*

As for what each *saves*, and puts to work, all thro' the countless preparatory processes of producing raw-material, transporting, manufacturing and distributing finished goods, to final consumers,— though he is purely selfish, and saves for himself, not for the community — nevertheless, *the more there is of such working-capital*, rolled up but not enjoyed by him and thousands of his kind, to grow larger and larger in active production, *the better for us all! Let its ownership remain with those who saved it — for they will use it wisely.* But the real blessing of it, the support of great masses of men and women in honest and well paid toil; and the abundant output of the necessaries and luxuries of life — *that blessing goes to the people.* Is it not then a blunder of the first magnitude, to penalize thrift by taxing property or business? Both have troubles of their own; and should be left absolutely free of diminution by taxation, from start to finish, until final sale of their useful products to ultimate consumers is arrived at. Then and then only appears a logical and beneficial measure of taxation, *that of final and personal consumption.*

(3) *Least Cost to Government and Taxpayer.* This,

my third reason for retail-sales taxation, conforms to Adam Smith's Canon, which holds that taxation should never cost the community materially more than it yields in revenue to the government. In other words, (a) the taxes must be easy and inexpensive to lay and collect; and (b) they ought not, like for instance our existing import-tariff on cheap woolen cloths, to raise the cost of all such cloth to the community, while yielding substantially no income to the government.

As you gentlemen are probably well aware, our customs duties on cheap woolens are so high, that none to speak of are imported. Consequently the U. S. gets no material income from that source, and of course gets no tax at all on such goods when "made in America." Yet the people pay *perhaps a third more* for their whole vast consumption of cheap woolens, than they might pay if there were no import-tax upon them.

Turning to the cost to government of laying and collecting taxes, I have already indicated the advantage possessed by retail-sales-taxation; in the fact that the complex and costly factor of *valuation for taxation* is entirely and automatically done away with. For the taxable value of each sale is fixed beyond question at the moment of sale by the sum actually demanded by the seller, and voluntarily paid by the buyer, *who is also the taxpayer.* The vast and permanent bureaus of experts, now everywhere maintained for tax-valuation of real estate, personal property, imports, incomes, etc., with the whole muddled mess of tax-returns, evasions, undervaluations, frauds, belated reviews, and litigations, would blow away like smoke before a hurricane, *and simply vanish*, before the naked simplicity of retail-sales taxation. *Double-taxation*, too, of tangible property

and securities representing it; of profits and dividends; of sales and resales in course of production and distribution; of entire capital by the home state of a corporation, and part thereof by every other state wherein it does business; alien-taxes, license-taxes, franchise-taxes, transfer-taxes, poll-taxes, and the devil only knows how many varieties of stamp and nuisance taxes; all these costly and annoying evils and their attendant bureaucracies, and their aftermath of unforeseen consequences, would fade into mere hateful memories, if retail-sales-taxation were the *only* taxation.

At the same time would disappear all trouble as to "equalization" of state and county taxes, upon and between cities and their "hinterland," the country. For there would be but one Collector of Taxes for the nation, the state and the municipality, at each regional tax-office; *and no assessors anywhere.* A single consolidated tax would be paid, where the sales to final consumers are made; and the local collectors would, say once a month, send checks to state and national treasuries for the predetermined percentage of total collections belonging to each. They would, as the Bible says, "Render unto Caesar the things belonging to Caesar."

I have elsewhere (in my book "Too Much Government, Too Much Taxation," Doubleday, Page, 1923) studied sales-taxation in greater detail than this little book permits of. Let me here merely *summarize* its advantages, as follows:

(1) American retail selling-methods are so admirably adapted for convenient sales-taxation, as to cut the cost thereof (in my estimation) to less than one-third of present cost of national, state and local assessment and collection; even if, as seems to me fair and wise, the system adopted should allow to

retail sellers (viz., merchants, service-corporations, landlords, etc., who would do all the work of figuring, collecting, and paying over taxes in-bloc to the regional collector) a commission of say one-half of one percent (which should be ample) on amount handled, to make the handling worth their while.

(2) The inflow of collections would be continuous, month by month; at rates varying seasonably, but not seriously, with retail trade. Taxes would not come out of the taxpayers pocket in inconvenient lump sums, either in advance or arrears, for a whole year, as at present; while they would flow in monthly to meet monthly drafts upon government treasuries. There would be no more need of big bank-deposits at one period of every year, or of big over-drafts or borrowings to meet payrolls or construction accounts at another — as there is now; nor of the questionable relations between politics and banking which so often scandalize the country under present conditions. There would be, for instance, no opportunity for the governor of a great state to profit by depositing some millions of its cash in a pocket-bank of his own — as was developed in an Illinois court not long ago; or for this or that town or county treasurer in any state of the Union to turn up short of large sums of public money lost in speculation, or "blown in" otherwise.

(3) Next, *and far most important*, of the advantages of retail-sales taxation, *comes its education of the voter, to compare taxes with cost of living*, and *make taxation a live issue in politics*.

It is hard to determine accurately the average income from work, business, and use of savings, of the American worker; but it is probably not far from $5. to $6. a day, taking rich and poor together. Suppose we call it even as much as $6., for 300 days in the year; or $1,800. We have already seen that the total taxa-

tion of 1923 came to $320. in its final redistribution as part of cost of living, for the average family of 3½ persons. As the average worker saves about $60. a year, he would spend but $1800. less $60., or say $1740.; which would include his $320. of taxation. So his living actually cost him $1420. and his taxes $320.; or 22½ percent of what he spent on self and family. Over a dollar a day *for taxes!*

Of that 22½ percent nearly 8 percent was for national, 3 percent for state, and 11 percent for local government. Next year national taxes will cost less, say under 7 percent; but state and local imposts show no signs of decrease. The total may well come to 21 percent on living cost; *and the average taxpayer will not know it*, any more than he knows it now.

But *do you gentlemen not think he would know it*, if he had to pay, added to the price of every purchase, every day, a fraction over 6 percent for the U. S. 3 percent for the state, and 11 percent for his town tax? Would he not watch even those odd fractions, *and demand every year* from the politicians who asked his vote, *a paring down of the tax rate* — or else a good reason why not, in return for their election?

(4) Last, and by no means least of advantages, *the entire amount of taxes collected* less the trifling commission paid original collectors, as aforesaid, would flow directly into the national, state and local government-treasuries, *without costing the taxpayers an additional cent*, if retail-sales taxation were the only taxation. Thus entirely satisfying Adam Smith's Canon, that a tax should not cost the people more than it yields in revenue to the government.

Have I not, gentlemen, made out a strong case for the retail-sales-tax? Is it not well worth the serious consideration of the great business associations?

CHAPTER XXII

DECENTRALIZATION. BUSINESS LEADERS IN POLITICS

CENTRALIZATION of political power — collectivism — the theory that the state must build and sustain the citizen — that "society," and not the man himself, is responsible for his getting along in the world — all this, I cannot too strenuously repeat, is neither free government nor democracy, as Jefferson taught them.

All men, he says, are born free and equal, with the inalienable right to life, liberty, and the pursuit of happiness. If that is so, no majority can *give* away, even by its solid vote, the *inalienable* rights of its own humblest member; still less can it *take* away the *inalienable* rights of a dissenting minority, or of a single member thereof. The only submission of the freeman's individual liberty to the will of the majority sanctioned by the Declaration of Independence and the Constitution was strictly limited to the enforcement of his respect for the rights and liberties of others. For instance, I have the inalienable right to swing my fist; but you have the equally inalienable right to wear your nose. Then my liberty to swing my fist must end where your nose begins. By accepting rule of the majority in electing a government, I voluntarily concede to that government the authority to protect your nose against my fist, by laws defining assault and battery, and imposing penalty for breach thereof -- *but that is all. Otherwise, I keep my liberty; and I always keep my rights.*

As I have said elsewhere, men join in setting up free, democratic government, not to take away any-

body's rights, but to protect everybody's rights, by limiting their own and their neighbors liberties; forbidding certain things that neither citizen nor foreigner may do. *Beyond* those limits I agree that *nobody* may go; *within* them I reserve all my liberties. *But I never part with any of my rights*, which are inalienable. Such is Jeffersonian democracy, and free government, as I understand them.

The *compulsory* powers of free government originally grew out of the physical power of the majority, and its consequent moral obligation, first to protect all, and then to compel all who are protected to share the cost of protection — namely, to pay taxes. For many centuries of government demonstrated the usefulness of extending compulsion far enough to establish and distribute the cost of certain public services — for instance, of education, sanitation, good roads, water-supply, etc. Compulsory power is fundamental to free government; for the first duty of government is to keep itself alive, and make itself respected. On the other hand, human experience has shown that under free government, quite as much as under autocracy, there lies in the arbitrary power of taxation a perpetual temptation to legislators, office holders, and countless varieties of philanthropists, to put government into all sorts of business ventures, on pretext of serving the people — thus invariably enlarging bureaucracy and political patronage, and of course taxation itself. The seriousness of this temptation is amply proved by the wide spread of socialist and communist politics all over the world; whose open purpose is to establish state-monopoly of big business, if not of all industry and wealth — in order (socialists say) to stop private "monopoly and exploitation of the people" by the rich.

The menace *to democratic government* of this temptation will never pass away. For the people's chosen governors must always be *men;* and they will usually be swayed by the very human motives of ambition, love of power and of money to *enlarge* their own bailiwick. The result must always be the same; *greater scope*, *greater centralization*, and *final overgrowth*, of bureaucracy and taxation. Government for the benefit of the governors — not the governed — is more tempting to the selfish citizen in a democracy than an aristocracy, because more easily attainable!

Meantime, as all organic life demonstrates, there is an inexorable law of nature against age and overgrowth. Whenever man or animal, tree or vegetable, structure or organism, grows old, gross and unwieldy, it breaks down, decays and goes to pieces of its own weight and weakness. Emphatically is this true of all human organization, whether political or commercial. How many hundreds of governments, states and even nations, have waxed, waned and died in history! How many thousands of businesses have ballooned until they burst, under your own eyes, gentlemen of the great trade associations! What reason can you find in history to look upon unlimited expansion and centralization of our own great and so-far admirable free-government as even reasonably helpful of our country's good? LEAST GOVERNMENT and DECENTRALIZATION must be the salvation of democracy.

I am not writing all this to convince *you*, gentlemen — you need no conviction — but to urge you to acquaint all good Americans (and that means most Americans) with the unmistakable ear-marks of decadent democracy, and no-longer-free government. When national *mis*-leaders like Debs, LaFollette or Gompers, or local fakirs, like Hylan, Curley, or

Pinchot, urge the voters to let *them*, under the mask of democracy, take over, centralize, and manipulate for their own political advantage the railways, the street cars, the coal mines, the hydro-electric systems, etc., *on pretext of protecting the people from the very men who create these vital public services*,— it it up to you, gentlemen (for no one else knows enough to do it), to prove to the voters, that the capitalist invariably serves the people far better than the tax-gatherer.

Moreover, it is in your power (and is your bounden duty as well as your interest) to show to your fellow citizens the great big, simple, controlling fact, and guiding principle of capitalism — railway, coal, oil, or what you will — *that greatest profit* (which is what the capitalist wants) *always comes from greatest service to the public, at lowest cost!*

You can show your working people how Ford and Rockefeller, and Armour and Sears-Roebuck and Woolworth, and a hundred other great concerns, have made money, have grown great and rich, and still grow greater and richer, *by selling good stuff so cheap that their millions of customers cannot do better elsewhere*. You can show them, too, that where the politicians leave them free to do so, the great gas and electric companies (as in Chicago and Detroit) are increasing their profits by *voluntarily* selling cheaper and cheaper as volume reduces cost.

And you can show, per contra, that wherever the politicians break in, to extend and centralize governmental control over public service corporations, the motive for greatest service at least cost vanishes (as in the case of the steam and trolley railways) *no good whatever comes to the people;* and nothing but bankruptcy and crippled service, and growling discontent of the communities badly served, results.

In short, you can show the *ghastly failure of government ownership and operation* of productive industry and transportation, *whenever and wherever tried.* There is no city, and almost no village that cannot furnish the nearest local Chamber of Commerce with its own familiar local proof of what I say. The people everywhere already *know the fact*, that they have to stand poor service and heavy taxation; *but they don't know the reason why!* For they have for fifty years been, alas, the rather *willing* dupes of demagogues, who have won elections by teaching them *the absolutely impossible lie*, that the great fortunes of the banking, railway, steel, beef and oil magnates, are made by *robbing* the public. The exact opposite must be and is true (with the rare exception of an occasional wrecker like Jay Gould or Lamar, the "wolf of Wall Street"), i.e., that great fortunes are made nowadays, especially if in the lifetime of their makers, *only by great service to the public.*

Once more I repeat, it is *your* business, gentlemen, to *show up* both the truth, and the demagogues who distort it; also their motive for such distortion, which is always the same. All *they* want is to extend the grip of government — their own grip — to the vast field of trade; and to add to the enormous patronage of bureaucracy, and the huge revenues of taxation, the hundred-fold greater patronage of industry and revenues of commerce. But — heaven help the unfortunate country whose toiling masses, like those of Soviet Russia, are caught body and soul — as it seems to freemen like ourselves — in the stranglehold of that octopus, *the tyrant State!*

The hardest thing to teach the good-hearted American voter is, *that the politician who asks to be elected* to a well paid public office, *because when elected he is going to help the poor, or do away with the rich,*

is an unmitigated fakir. It seems almost impossible for the average man, and still more the average woman, to realize that political remedy is far worse than financial disease; that the capitalist, *with a steady job*, is worth far more to the laborer than the taxgatherer, *without one.* Many a voter will answer his would-be teacher, that "nobody should be as rich as Rockefeller" — and so end the discussion! You may point out in detail the failure of government to enforce prohibition, or recite official census figures showing that Child Labor is seldom cruel, comparatively rare, largely prohibited under 14 years, useful in forming the habit of industry after 14 *and always under control of parents* — only to be told by some indignant lady, that you are "reactionary," heartless and inhuman; that *Society* is to blame for such horrors, and *Society* must act to protect itself against them. *To her bureaucracy is Society!* How simple!

After several years of study and pondering over this difficult problem of growing bureaucracy, I can see but one immediately practicable and permanent channel through which the working-class voters in large cities and towns (which are the seat of disease in our democracy) can be taught broad principles of economics. *It is by their own employers, on their own jobs, as applied to their own local affairs; taught them to the extent necessary on employers paid time, and whenever possible out of their employers own mouths.*

I may be mistaken, but I do not believe I overestimate the influence which most employers could exert — in educating their own employees to *distrust* the politicians and the labor-demagogues — by a systematic course of short personal addresses, at frequent intervals, say twice a month, during regular working hours, *on pay-time;* followed up by printed matter, driving home the substance of the

address, handed each worker with his weekly pay-check. The very moderate expenditure of a couple of hours time, and a few cents worth of printing for each employee, each month, would marvelously open his eyes to see economic justice, and to foresee the economic consequences of his vote at the polls or in his union. If he gets the straight truth from his employer, he will shortly detect the lies of the demagogue. Most working folks are fair minded, and will listen, if rightly talked to. But few will *study* for themselves!

There are two rather powerful weapons of attack upon demagogy which lie ready to hand, gentlemen; namely, our traditional American distrust of bureaucracy, and our present revolt against growing taxation. I believe that you able men, with your going organizations, could successfully, each in his own bailiwick, make and hold before the eyes of local voters a continuous survey of local government and taxation; and teach them to apply to each new proposal by the politician or the reformer (and to many an old one) the following simple tests of the wisdom of enlarging government activity, namely:

1. Is it actually needed? Or is it to do something which private enterprise would gladly do, for private profit?
2. Will it centralize government and enlarge bureaucracy?
3. Will there be fat jobs and patronage in it?
4. Will it involve new or greater taxation?
5. *Will it work; and will the people loyally accept it?*

You will agree with me that if the voter finds he must answer "Yes" to test question No. 1, he should at once reject the proposed governmental activity as *unnecessary overload*. If he must say "Yes" to Nos. 2, 3 and 4, he should reject it nine times out of ten, as costly, vicious, and demoralizing. And finally,

unless he can answer an emphatic "Yes" to the vital question No. 5, he should utterly reject it as against plain common-sense.

Cannot you men of proved worth turn against the demagogues their own keen-edged weapon of distrust, envy and jealousy? When the LaFollettes, Norrises, and Brookharts denounce excessive railroad-rates, can you not point out to the voters how, for more than thirty years, smart politicians have drawn fat salaries (far fatter than they could earn in private life) as Interstate Commerce Commissioners at Washington; or as State Railway Commissioners in every State in the Union, supposed to "regulate" the railroads in the interest of the public. *What have those politicians been doing to earn their salaries all these thirty years*, if as the denouncers now say, the roads are still robbing the farmer? Is it possible that for so long they have sold the people out to the "invisible government" discovered by the demagogues? If so, what is to prevent this new crop of protectors of the people from selling out in the same way, when *they* get into power?

Can you not get the voters to ask question No. 5 — "*Will it work*"? — and point out to them that from the beginning of railroading, about 1830, to 1890 when "regulation" began, the railroads grew like weeds, and prospered, and gave more and better service, *at lower and lower rates?* That from 1890 to the World-War, *under* "regulation," their prosperity dwindled, and their service suffered, *but their rates stopped falling?* That, during the war, government operation turned a billion dollars per annum of railway profit into a billion dollars loss; and cost the public a hasty raise in railroad rates? That, at this moment, some of the greatest and once most prosperous railways in America are struggling in bankruptcy, and hundreds

of miles of unprofitable road are being abandoned year by year; without the least atom of benefit to the regions they so long and so well served? *And finally, that the Vanderbilt and Harriman and other railroad fortunes are greater than ever!*

All this is no secret, but common knowledge; simple and easy to teach, even to working people. *Can you not wake the voters up to ask themselves the question, what earthly good has railway "regulation" and Wisconsin demagogy done for them?*

Or would it be hard for employers, say in New York each talking to his own men, in half an hours talk to show them that the 5 cent fare, which paid the N. Y. street-railways well before the great war, when it used to cost them $3\frac{1}{2}$ cents to carry a passenger, has actually bankrupted them now; since cars and rails and coal and wages and everything else they have to pay for costs double what it cost then? Would it not be easy to show that a 5 cent fare is grossly *unfair;* and 7 or 8 cents would be reasonable — granting a rate of *increase hardly half of that of their own wages*, and considerably less than that in cost of everything else they buy? Could you not show your workers that Hylan figured on buying their votes for say 6 cents per day (or the difference between a 5 cent and an 8 cent carfare, night and morning), that is, for $18.00 per year per worker; in order that he and Tammany Hall could go on raising the taxes of that great city of New York, as they had already done, from $19. per capita of population in 1875 to $52. in 1924. As every worker supports on the average something like one and a half persons beside himself, that 1924 rate means city taxation of $130. per annum per worker! Could you not point out to your N. Y. workers that their mere raise in *rents*, due to high taxes, is far more than the $18. a year that Hylan

saves them by plundering the street car companies; not to mention the crowding of their tenements, due to poor street-car service, the direct result of street car bankruptcy? Could you not, in short, convince them that the street-car demagogues cost them far more than the street-car capitalists?

Would it be hard for you everywhere to show your own employees, metal-workers, or carpenters or weavers, when the union organizers promise them a dollar a day more wages, in return for a dollar a month of union dues, that the wages of common, and farm, and domestic, labor — *all entirely unorganized* — have gone up faster and farther in proportion, during the last forty years, than union-scales of wages have? *Could you not set them thinking as to why they should organize and pay union dues, when free labor makes better gains than union-labor?*

Can you not show all voters say of Boston, Baltimore, Savannah and New Orleans (each Chamber of Commerce teaching its own city) that there was no such thing as fighting between themselves over railroad differentials, favoring one port against another, when there likewise was no such thing as an Interstate Commerce Commission? Moreover, that today there would be no pulling and hauling at Washington between the Rocky Mountain cities and the Pacific Coast cities, for rates to nullify the advantage of shipping by the Panama Canal route, if there were no I. C. C.? Would not each road agree with its own regional shippers, on rates that the road could afford to make and the shippers to pay — *rates that would move the freight, and keep the port, the road and the region well alive* — that is all; just as was the case before the I. C. C. was born? In those old days, did even the wildest political orator, ever hear or tell of a single town whose growth or prosperity was cramped

by the railroads on which it lay? On the contrary, did the towns not grow like weeds whenever the railroads reached them?

Once more let me urge on you, that *wage-workers* will usually constitute the majority of voters in free, civilized countries like ours — most of them *your* employees; and they will be employed by you because they have not initiative enough to be employers themselves. So too in politics, they will be voters, steered by politicians, because they have not initiative, or time, or brains enough to study policies, and make up their minds for themselves, how to vote. Not a few of you yourselves, gentlemen, lack the initiative, and *think* you lack the time, to study politics. *But you ought to be in politics as in business* the natural leaders of these you employ; with whom you are in daily touch, and have a most powerful common interest — that of steady, profitable work and wages. As a mere business proposition, you business-leaders could put a little time and money to no wiser or more immediately profitable use, than in teaching your own working folk the simple economic and political principles, that go farthest to insure most work and highest wages, with least government and lowest taxes; in other words, the principles of liberty, that insure their own and the general welfare.

It is a little too much to ask of the intelligence and patriotism of laboring men, tired from their days work, to give up their evenings to solitary and complex studies of good government and sound industry; studies to which college professors give their whole lives, without reaching exact conclusions. *But they would listen to you*, gentlemen, once or twice a month, during working hours paid for by you; and they are intelligent enough to size up what you say, and your motive for saying it. What they most need

from you is that you give them a few simple tests for sizing up what the labor and political demagogues say, and their motive for saying it. It will usually apply to some particular case, or candidate; and you can get away from glittering generalities and pin down to *familiar* conditions and personalities, showing your men on which side their own bread is buttered.

Nine times out of ten, the demagogue will be attacking somebody, and seeking election himself, because Rockefeller and others are known to be rich, or some company is a big one. If so, you can generally show your employees that working men are all the better off, if they work for a rich, strong employer; and that only such employers can guarantee steady work and pay high wages. But the very best argument of all to make good voters of them, is *to take them in*, as stockholders along with you; *not by giving them shares that cost them nothing*, but by *selling* them at honest prices on easy payments — so as to encourage thrift, while making friends. That is the *great* function, in my opinion, of the great modern corporation — the gradual changing of its *working employees* and paying customers into its *working and paying and thinking owners, and friends*. For they *will* think and study about its business, and the effect of good government upon its fortunes, not only in working hours, but when sitting around with their fellow men in social intercourse; as soon as they too are owners in it.

There is no antidote for demagogy, socialism and communism, like saving a little money, and owning a little property; and no argument against too much government is so convincing as paying too heavy taxes. There is no cure in sight, at least none that I can see, for social and political unrest in our beloved country, either as promising or as probable as widespread popular ownership in our great corporations.

CHAPTER XXIII

VALEDICTORY. BRAINS TO THE FRONT!

In closing this little book, let me emphasize, that the main reason for government, whether autocratic or free, has always been a purely business reason; namely, that protection of life, liberty and property, which insures the natural creation and distribution of wealth, *and brings prosperity to the people*. Especially is this true in fortunate America, which is almost without foreign enmities and complications. So too the main reasons for politics, our choice of governors, are business reasons. Our domestic politics turn almost altogether on some phase of the alleged battle between poverty and riches. Not a demagogue that yawps but is going to do something to make "the people" far better off than before, without doing any more work than before; organized labor indeed doing less. Since then our government and politics are so largely an affair of business, why ought not our business leaders to lead also in government and politics?

We hear much of "social unrest"—to use the pompous phrase for what we used to call ordinary envy or jealousy. Though noisy enough, it is seldom spontaneous, at least in America; but has to be manufactured — deliberately stirred up — by professional agitators, who make a living by doing so. Any reader can verify this for himself, by looking up the history of such "*unrest*" as there may be in his neighborhood. Nature creates very few men of exceptional brain and energy; men able to do big things in war or government or even in sport; men who do more, deserve more, and invariably get more, of the good things of life, than the rest of us average or common folk.

Most of us instinctively recognize big men, and cheerfully take the orders of our betters, seldom grudging them their bigger reward for greater achievement.

But natural acceptance of the superiority of abler men than ourselves does not so readily extend to men whom we personally do not know; and whom we cannot "size-up" by personal contact. Such men, though comparatively few in number, are yet numerous enough to be called a class — a rich or ruling class — and seem to those who have not met them somehow to work no harder, yet to fare far better than the rest. It is easy for any ambitious, restless devil amongst us, who loves talk better than hard work, to persuade the crowd, that some unfair advantage, some "privilege," some "system" contrived by selfish schemers and embodied in the law, enables a few thus to fare better than the many. It comes perfectly natural, in a democracy, for a demagogue to shout to the multitude, "There are thousands of you workers, and only tens or hundreds of these rich fellows who rob you. You have the physical strength to smash them; and moreover the political power, if you prefer, to outvote them. So you can *govern* them, and tax their fortunes out of existence, for your own benefit. Go to it, elect me, and wipe this wage-slavery off the earth. Be free men from now on, forever!"

Time and time again, in the history of the human race, has the multitude revolted by reason of envy or jealousy against its ruling class or men of brains; who always include its merchants and captains of industry. In olden times war and politics offered the only careers big enough for ambitious men of first-class ability; so that popular revolt was necessarily against military or political tyrants and plunderers.

But now, since the development of modern commerce and the great corporation, "big-business" and finance offer careers a hundred times more numerous and more gainful than politics or war — and almost equally attractive in the way of power and fame. The capitalists of our time are almost as much better off than the laborers as were the tyrants and aristocrats of the dark ages; so it is quite as easy for the demagogue to harangue the crowd against the constitutional "right of private property" today, as it was to assail "the divine right of kings," a century or two ago.

But there is the widest moral, economical and political difference between the predatory autocrat, who by "divine right" robbed or taxed his own and neighboring peoples out of vast riches; and the modern captain of industry, who *earns* his multimillions by vast service done to his own and neighboring communities — *service voluntarily accepted and gladly paid for by all concerned.* Whatever may have been the rights and wrongs of the common people, as against *old-time* feudal and imperial wealth, the toiling masses of today have no just grievance against modern capitalism and finance, especially in the United States. On the contrary, both are enormously beneficial to the multitude; laying as they do the solid foundations of abundant work and wages, and of the general prosperity.

There was in old times and countries another reason for "social unrest," which never existed in America; and is fast passing away in Europe, I imagine. I refer to the tradition of "class," which before the war was so strong in many countries, that it was wellnigh hopeless for a man to try to rise out of his father's social environment into a higher one.

That tradition was well grounded in the fact that

it always took brains, ambition, and last but not least money, to rise from a lower social stratum. Very rarely an exceptional man was born with the first two of these, and could and did earn and save enough of the last, to move on and up in the world. But there was for centuries the further difficulty to contend with, that it was not only hard and slow for an workingman to save a little money; but still harder for him, in his ignorance of large affairs, to *invest* his savings to advantage. Unless he was the rare sort, that makes the opportunity to invest for himself, he seldom could multiply his savings ten, fifty, or a hundred fold, as do our captains of industry and finance. Occasionally an employer would see a workman's value, and take him into partnership; in which he would get the benefit of the former's constructive brain. But such cases were few and far-between. The vast majority of the workers could only curse the boss, and ask themselves hopelessly, "*What use to save and slave*, only to enrich *him!*"

They were hopeless in those days, very likely, because they felt it was hardly worth while to save, yet not know what to do with their savings. Hence perhaps their bitterness against the capitalist or boss that had both thrift and brain, and grew ever richer, out of his workers' toil.

The modern invention of the great corporation has changed all this, it seems to me. The worker of our day, no matter how humble, can command the faithful services of the best brains in the land, in helping him pile up his own savings. The employee of the U. S. Steel Corporation, for instance, who buys a single share of its stock, upon instalments, hires Judge Gary and Jas. A. Farrell, J. P. Morgan, Samuel Mather, and a dozen more masters of steel and finance, to manage for him and make his savings

good. The worker who buys one share of Standard Oil hires the Rockefellers and Bedfords to safeguard his money. The International Harvester employee who takes a share of that stock enjoys the watchful care of Cyrus H. McCormick, whose name stands for all able and honorable in that great trade. The day has past in America — if indeed it ever dawned — when it seemed *hopeless* for the worker to save, or to dream that he himself might rise, or start his children higher up than he started.

Better yet, the steel workers are coming fast to trust Judge Gary, the oil workers to believe in Rockefeller, and the harvester workers in McCormick. So will other workers of a thousand other great American corporations trust their employers, as employee ownership becomes more and more the fashion.

So too, customer-ownership of shares in our great public utilities is fast becoming the customary thing. Bit by bit, the knowledge of the inestimable value of the capitalist, the captain of industry and the great corporation will dawn on laborers and public, as they become capitalists themselves, even in a small way. Men do not fight what they own! Thanks to the country-wide machinery of the Stock-Exchanges (which is effecting rapid and wide distribution of the shares of our great corporations, among many millions of small owners) the country will soon witness the simple and natural cure not only of the "warfare between labor and capital," which was the life-work of Samuel Gompers, but of the "class-struggle" and "dictatorship of the proletariat," invented by Carl Marx.

Meantime, two things seem to me certain, considering the plain common sense, thrift, and quickness to learn of the American people: first, that

America is not likely to confide its vast government and wealth entirely to those of its citizens who have never had brains enough to raise themselves above the level of wage-workers, skilled or unskilled. Second, that, on the contrary, public opinion will come to recognize the vital importance of brains, whether in business or government, together with the social justice of rewarding every man proportionately to service rendered by him — no matter how great or small that service, or its reward. That, in short, Americans will realize that capitalism is an asset, not a liability, of a great people!

With that recognition will largely pass away the fear of big business and great capitalists, as menaces to or parasites upon the common wealth. It will then be possible *to cut out government restriction and regulation*, and give full play to the natural growth of commerce and capital; trusting alone to economic law to protect the common people, *as it always does and will.*

Finally; if you men of the great commercial associations will do what seems to me to be your manifest duty to yourselves and the community, there will come your own frequent graduation from sound business to sound politics. So let me end this little book, by recapitulating the reasons why *every man of marked success* in business and professional life — especially the former — should *as a matter of course* look forward to crowning his private career by public service; *even beginning at the very bottom and foundation of good government*, and seeking election to the too numerous and too petty local law-making and taxing bodies, which constitute our too complex political system.

For there can be no hope of simplification, economy, and betterment of government unless our ablest, most experienced and most fearless men — men not de-

pendent upon local politics for their livings, or influence — *are in working control* of those despised but *vitally important* representative bodies.

You gentlemen, with your efficient organizations, are *the* citizens who best answer to the foregoing flattering description. No one knows better than yourselves, that the very nature of business *compels* (while that of every kind of government does *not* compel) honest, efficient and thrifty organization. For business *must* run at a profit, *and pay its way.* Government runs always at a loss, — large or small, but always a loss — *paid by taxation;* which our governors impose as a matter of course, and habit, and willingly pile up higher year by year. Every one of you knows, that he and a few men like him could go in to the local board of selectmen, the county board, city council or state legislature, and in a year or two could *halve* taxation, yet *double* public service. Meantime they could go far in preparing the voters for merger and consolidation of the regional groups of petty city and suburban governments, to which their own belong, into larger consolidated units; of the right size to get maximum benefit from large scale operation of the numerous departments of local self government.

Lastly, men in your position could afford to give your services *gratis* (just as the directors of your great corporations and associations do) for the honor of public trust, and the good of your home community. You could establish the principle and precedent, *that no citizen ought to make a living, much less a fortune, by legislating for or taxing his fellow citizens;* that such power and privilege *is at once an honor and a trust utterly repugnant to its use for private gain* — whether as a matter of political principle, or of mere hard common sense. Legislators and taxlayers

must be entirely above and beyond the reach of *money* temptation in any form. *This is vital.*

You men of experience in large affairs could digest and minimize legislation; and establish the merit of brief sessions and the vice of enactment of special laws. You could initiate and demonstrate the value of Least Government and Least Taxation. *I urge you to consider all this.*

For you and your confrères of the technical and professional groups, Lawyers, Engineers, Chemists, Doctors, Architects, etc., are — let me repeat — substantially the *only* element amongst us having ability, education, experience, and financial independence sufficient to cope with the immense inherent difficulties of democracy, in achieving good government. Even in your hands, and with your best efforts, free government must still be experimental, imperfect, constantly evolving upwards, along lines of least resistance. Verily, *as things are here and now*, staunch believer in democracy as I am, I confess that its future looks anything but long lived.

In closing, let me summarize: Our state and local government consists of a multiplicity of petty legislative and fiscal units; so organized as to minimize both the dignity and the responsibility of legislators, and the efficiency and compensation of executives. Both are so chosen as necessarily to throw the crucial business of election into the hands of political machines, requiring the services of a horde of cheap politicians (not otherwise provided for financially) *who must make their living* out of the spoils of office; men almost inevitably without much education, or experience in large affairs, and of means so small as to lay them terribly open to bribery and corruption of one sort or another; men who (and this is the worst of all), in the very nature of their vocation, believe

in bureaucratic government — *the more of it, the better.*

You, on the other hand, are the only group of citizens whose large business experience tells the evil of overloaded organization; "of biting off more than you can chew," to use the homely phrase. *You* have learned how to simplify, expand, consolidate, and do big business, yet not break down under complexity and red-tape. *You* know how to pick good men, not bother them with civil-service commissions, but leave them free to get results; and how to pay them accordingly. *You* are moreover well advertised, and command wide influence and following, each in his own community. Let me urge you then to use your brain and influence to win your own election to local legislative office — and there put your hearts and backs into local public service.

After that, "as, if, and when" you would issue forth and broaden from local to state and national politics, *you can carry upward the same big-business habit, of doing the best and biggest thing for those who trust you — your countrymen* — as you have all your lives found so profitable with your customers. *They have trusted you, and never found you light-weight.* So will your country trust you and not find you wanting. *Will you not let them try you?*

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